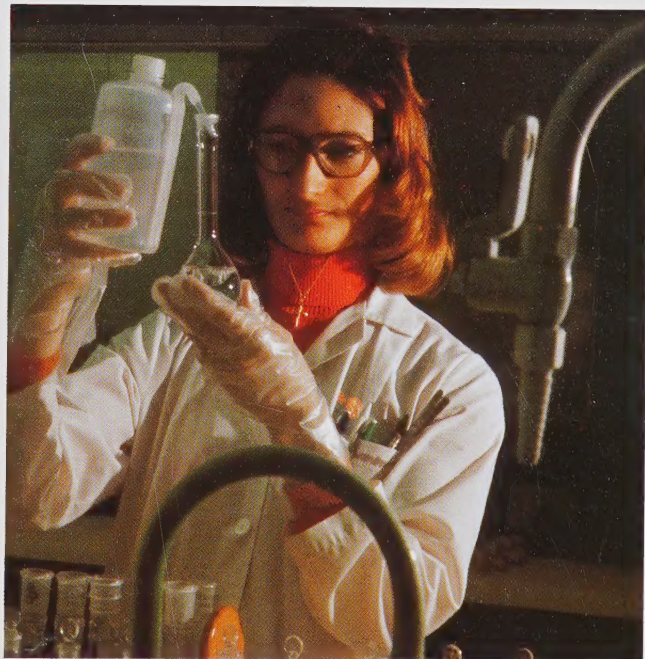




Canadian Industries Limited




Consolidated Financial Highlights

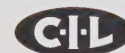
	1976	1975
Sales	\$613,852,000	\$594,908,000
Income before taxes	48,150,000	85,503,000
Net Income before extraordinary items	24,363,000	42,638,000
Extraordinary items — Net gain	—	3,580,000
Working capital at December 31	136,000,000	120,554,000
Capital expenditures (including expenditures for acquiring new subsidiaries and associated companies)	62,876,000	55,354,000
Common shares outstanding at December 31	9,794,161	9,794,161
Earnings per common share before extraordinary items	\$2.47	\$4.34
Dividends per common share	\$1.24	\$1.20
Number of shareholders at December 31		
Common	4,651	5,007
Preferred	535	548

Sales by Business Area

Agricultural & Industrial Chemicals		Explosives & Related Businesses		Paints & Pigments		Other products & Services	
1976	1975	1976	1975	1976	1975	1976	1975
323.8	312.7	187.3	186.1	65.8	58.7	37.0	37.4
53	53	30	31	11	10	6	6

 Sales (millions of dollars)

 % of total sales



Canadian Industries Limited

CIL House
630 Dorchester Boulevard West
Montreal, Quebec
H3C 2R3

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Sun Life Assurance Company of Canada
Montreal, Quebec

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Vice-President,
Canadian Industries Limited
Montreal, Quebec

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President,
Omer DeSerres Ltée
Montreal, Quebec

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Chairman of the Board,
ICI Americas Inc.
Wilmington, Delaware, U.S.A.

E. J. Goett

President and Chief Executive Officer,
ICI Americas Inc.
Wilmington, Delaware, U.S.A.

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Chairman,
Home Oil Company Limited
Calgary, Alberta
Residence: Toronto, Ontario

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Canadian Industries Limited
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Canadian Industries Limited
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London, England

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President and Chief Executive Officer,
Canadian Industries Limited
Montreal, Quebec

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Lafarge Canada Ltd.
Vancouver, British Columbia

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Assistant Secretary

A. F. M. Biggs

Assistant Treasurer

C. McLaughlin

Assistant Controller

M. E. Johnson

Registrar, Transfer Agent and Dividend Disbursing Agent

National Trust Company Limited,
Montreal, Toronto, Calgary, Vancouver

Stock Exchange Listings

Montreal, Toronto, Vancouver

Registrar and Transfer Agent for Debentures

The Royal Trust Company
Montreal, Toronto, Winnipeg, Vancouver

Auditors

Touche Ross & Co.

To the Shareholders

In 1976, consolidated sales were \$613.9 million, up 3% over 1975, largely as a result of higher volume as the overall price index of the Company's products was relatively unchanged. Net income at \$24.4 million was 43% below the \$42.6 million earned in 1975, and was equivalent to \$2.47 a common share, substantially below the exceptional results of the preceding year. Significant selling price reductions took place in fertilizers, pesticides and polyethylene film products. Costs of natural gas and other raw materials, labour and purchased services increased considerably and there were prolonged work stoppages at some of the Company's plants and in the operations of several major customers. Dividends amounted to \$1.24 a common share, four cents higher than for 1975, and were within the amount allowed by anti-inflation legislation. In July 1976, an issue of \$50 million 10% sinking fund debentures was successfully sold in the Canadian market at par.

Capital expenditures of \$62.9 million in 1976 brought new investment over the past three years to \$169.5 million. The caustic soda and chlorine plant at Bécancour, Quebec, completed late in 1975, is operating effectively and is well placed to serve the large eastern Canadian market and adjacent areas of the United States. A major expansion of this plant is being considered. The large ammonium nitrate plant at Carseland, Alberta which will supply markets for commercial explosives in western Canada and the northwestern United States is now being started up. In accordance with the strategy to withdraw from businesses which are not of long term interest to the Company, the sporting ammunition business and production equipment were sold to Valcartier Industries Inc. on October 1, 1976. The Company has retained and will continue to operate the detonator manufacturing facilities at Brownsburg, Quebec and is planning a stronger explosives accessories business.

The Company is the largest producer and marketer of sulphuric acid in Canada, and is extending its distribution and storage network in both eastern Canada and northeastern United States. This extension will permit CIL to market the large increase in volume of sulphuric acid derived from smelting operations in the mining industry in eastern Canada as a result of expanded anti-pollution programs.

Substantial capital expenditures are being made to expand and modernize facilities to produce improved products for commercial explosives markets. In addition, a four-year program to strengthen design, manufacturing and servicing capability for Jarvis Clark's line of underground mining equipment was completed at North Bay and Sudbury, Ontario.

CIL is a broadly based manufacturing company operating in all provinces of Canada. With the recent election in Quebec of a government which has separation from Canada as its principal objective, it is timely to review the Company's position in the Province.

About one third of CIL's fixed assets are located in Quebec which accounts for approximately one fifth of the Company's sales. The Company has over many years held a leading position in making French the language of work at its plants, warehouses and sales offices in the Province. The new chloralkali plant at Bécancour, operating entirely in French, is a good illustration of this program.

*E. L. Hamilton (right)
Chairman of the Board*

*W. J. Mandry
President and Chief Executive Officer*



This 187-foot stainless steel absorption tower being positioned at CIL's ammonium nitrate plant at Carseland, Alberta, weighs 200 short tons. It was built in France and shipped by sea and rail in two sections. The new plant, largest of its kind in Canada, will have a capacity of 600 tons of nitric acid a day, to be used for production of ammonium nitrate at the same site.



Whatever resolution is reached on Quebec's future political status, the need will remain for continued development of the Province's natural resources. It is the Company's intent, to the maximum extent practicable, to continue to play a major role in providing the goods and services to help upgrade Quebec's natural resources and to contribute to the economic strength of the Province. However, the conditions necessary for this continued development will depend upon political decisions and actions still to be taken.

The more immediate outlook in Canada is for another year of only moderate economic advance. The potential exists for a more significant gain, but in the absence of a greater improvement in export markets than is now foreseen, or more supportive domestic policies, overall economic growth in real terms could be seriously limited. CIL is in a good position to take advantage of opportunities as they develop, because of its additional manufacturing capacity now in place or planned for the immediate future. In the longer term, as a result of our large capital investment program, we are confident that the Company will play a strong

role in providing the products, services, technology and employment that are needed for Canada to reach its national goals.

A concentrated effort has been made, through company-wide safety audits, hazard reviews, and improved training practices, to re-establish our historically excellent safe working experience. It is encouraging to report that the number of disabling injuries in CIL and its subsidiaries dropped to about 50% of the number recorded in 1975 and approached our previous low incidence rates.

We are indebted to our employees for their achievements in what has been a very demanding year, and express our appreciation for their essential contributions to the continuing overall strength of the Company.

On behalf of the Board of Directors,

A handwritten signature in dark ink, appearing to read "E. L. Hamilton".

E. L. Hamilton
Chairman of the Board

A handwritten signature in dark ink, appearing to read "W. J. Mandry".

W. J. Mandry
President and Chief Executive Officer

Montreal, Quebec, March 24, 1977

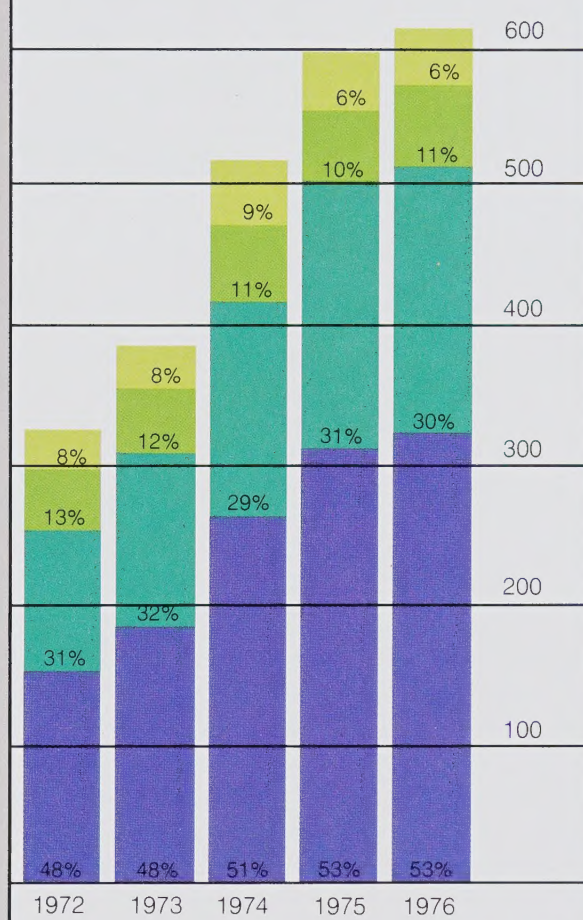
Sales by industry

millions of dollars



Sales by business area

millions of dollars





Operations

Agricultural and Industrial Chemicals

Agricultural Chemicals

Sales of fertilizer products dropped from the previous year, as revenue from additional ammonia capacity did not offset appreciably lower prices in both domestic and export markets. Although demand for ammonium phosphates for use in fertilizers improved, industrial markets for ammonia were poorer as textile, mining, and pulp and paper industries experienced difficulties. The cost of natural gas, a major raw material in the production of fertilizer, increased by 55% over the previous year. Costs of other raw materials increased moderately, except for phosphate rock which declined significantly.

Customer response to the introduction of lawn and garden fertilizers containing sulphur-coated urea, a new controlled-release form of nitrogen fertilizer was very favourable.

Sales of Chipman Chemicals Limited's herbicide and pesticide products were considerably below the level of 1975. The major factors in this decrease were the substantial imports of U.S. products not registered with the federal government for sale in Canada, and generally poor climatic conditions for pesticide usage. Chipman maintains a strong technical and marketing organization and should experience renewed growth in 1977 as the major pesticide formulator and distributor in Canada.

Industrial Chemicals

Sales of industrial chemicals increased in 1976 despite the prolonged strikes in the pulp and paper industry and the depressed state of the fertilizer industry which is a major consumer of sulphuric acid.

The large chloralkali plant at Bécancour, Quebec, came on stream in the third quarter of 1975 and enabled CIL to increase its domestic sales of chlorine and caustic soda and to develop profitable new business for these products in U.S. markets. This plant, based on diaphragm cell technology, operated well.

The Company has begun a major expansion of its sulphuric acid storage and distribution facilities to handle the large increase in the quantities of acid which will result from intensified anti-pollution programs by the mining industry to reduce sulphur dioxide emissions. As part of this expansion program, an acid depot has been completed near Detroit, Michigan, by C-I-L Chemicals, Inc., a wholly owned U.S. subsidiary company, and a second terminal is being constructed by that company at Cleveland, Ohio. A shipping terminal will be constructed in 1977 on Georgian Bay, near CIL's Copper Cliff plant.

During the year, the Company's business in packaged manufactured chemicals and resale chemicals from ICI and other sources was structured as a separate division in order to further strengthen CIL's position in marketing these products. A new plant at Cornwall, Ontario, for the manufacture of "Cereclor" chlorinated paraffins was successfully started up early in 1977.

7

Newly completed manufacturing facilities at CIL's Cornwall works will produce "Cereclor" chlorinated paraffins for customers in Canada and for export. These products are mainly used as secondary plasticizers in vinyl compositions, as extreme pressure additives in gear oils and metal working lubricants, and as fire retardant additives in plastics, rubbers and textiles.

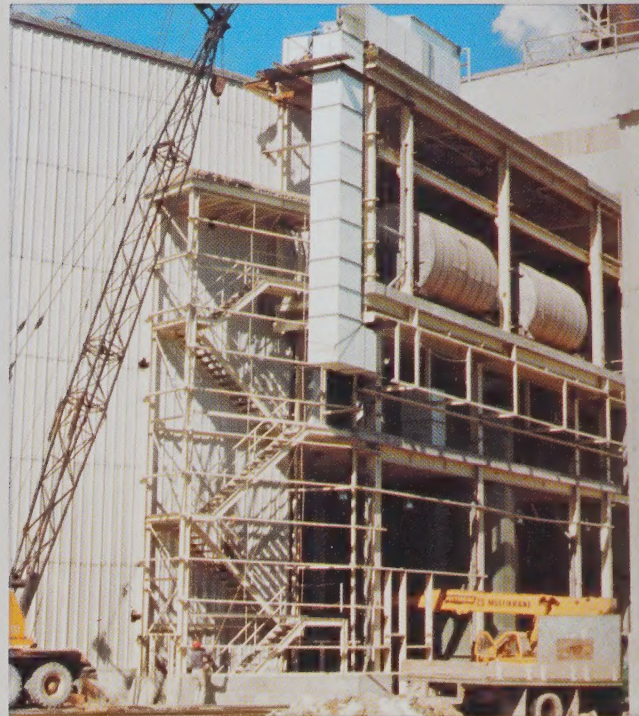
New products were introduced to the Canadian market by CIL's lawn and garden products unit in 1976. Joining the line of fertilizers and pesticides specializing in house plant care were "Kleen leaf", a plant towelette, and a new unique, organic house plant aid and microbial soil rebuilder, "Restore".

This oxygen bleaching plant under construction for Eddy Forest Industries at Espanola, Ontario, is a project of CIL's subsidiary, Chemetics International Ltd. Chemetics markets chemical plants, equipment and processes worldwide.

Sales of specialty chemicals by CIL's subsidiary, Alchem Limited, were higher than those of the previous year. An increase in water treatment requirements and the introduction of new products to help industry meet environmental standards should lead to continued growth for this business.

While sales of metal finishing supplies by Canadian Hanson Limited increased over 1975, profit margins for most products were under strong competitive pressures.

Sales of Chemetics International Ltd. were at the same level as the previous year, but the backlog of contracts on hand at the year end was lower. Sales of Cornwall Chemicals Limited, an associated company managed by CIL, were substantially higher than in 1975, but profits remained at the same level.



At a new acid distribution terminal near Detroit, Michigan, this unit train delivered 3600 tons of sulphuric acid from CIL's Copper Cliff works in northern Ontario. One of three planned for Detroit, Cleveland and Chicago, this terminal was established in 1976 by C-I-L Chemicals, Inc., a CIL subsidiary expected to become a major supplier of sulphuric acid to industry in the Great Lakes area of the United States.





Explosives

Sales growth in explosives and accessories in 1976 was modest as a result of work stoppages at locations of a number of major mining customers and a general construction strike in Quebec. CIL production was curtailed by strikes at plants in Brownsburg and Valleyfield, Quebec, and Nobel, Ontario. Purchases to supplement production allowed CIL to maintain volume levels in the domestic market during the strike period, but export and defence products sales were lower.

Work is underway to construct a new cap-sensitive slurry explosives plant at Nobel, Ontario. This plant has been designed to use automated manufacturing techniques which will minimize the number of employees exposed to the risk of accidents. The Company plans to modernize its other explosives facilities over the next few years. Construction of the ammonium nitrate plant at Carseland, Alberta, was completed on schedule early in 1977.

Lower sales by West African Explosives and Chemicals Limited, a subsidiary producing commercial explosives in Liberia, were mainly due to reduced sales to neighbouring countries. Opportunities to diversify and expand operations are being pursued.

Sales of Continental Explosives Limited and Explosives Sales (1970) Limited, subsidiary companies engaged in the distribution of explosives and related products in British Columbia and Quebec respectively, were about the same as in 1975 as customer strikes and the depressed construction climate offset the effect of price increases. Sales of safety fuse, detonating cord and other explosives accessories made by Canadian Safety Fuse Company Limited increased in 1976.

Recently introduced by Jarvis Clark Company Limited, this electrically powered, centre articulated four-wheel-drive mining scoop represents a major advance towards the provision of a quieter, pollution-free environment in underground mining. It is shown working underground at Falconbridge Nickel Mines Limited at Sudbury, Ontario.



Mining Equipment

Sales of equipment by Jarvis Clark Company Limited increased substantially as the trend to mechanization in mines continued. Jarvis Clark has developed a highly skilled organization for the design, manufacture and marketing of specialized underground mining equipment. This equipment is made at the North Bay, Ontario plant which underwent further expansion in 1976. The Company is active in export sales both on a direct basis and through distributors.

Sporting Arms and Ammunition

Because the sporting ammunition business no longer meets CIL's longer term objectives this business was sold to Valcartier Industries Inc., of Courcellette, Quebec, in October of 1976.

CIL has an on-site explosives plant at James Bay where the huge hydro-electric power project of the Société d'énergie de la Baie James is under construction. Scheduled for completion in 1985, this project will require 90,000 tons of explosives. The accompanying photo taken by a CIL service representative, shows the powerhouse service tunnel forming part of the LG2 underground complex.



Paints and Pigments

The completely equipped automotive body painting shop at CIL's York works, Toronto, is used to test new products and train operators from customers' shops where CIL refinish products are sold.

A new production line, the twentieth at CIL's Brampton works, is now producing co-extruded films for the food packaging industry. The process combines the strength and barrier properties of the constituent materials to give maximum protection to snack foods, cereals and crackers.

Paints

Markets for paints showed some recovery in 1976 following the decline in volume experienced in 1975. CIL's sales, including those of its subsidiary, Bapco Paint Ltd., increased in all market segments, but most substantially in automotive finishes.

Other Products and Services

Plastics

The demand for polyethylene resin in Canada recovered to the level experienced in 1974. However, increased world capacity more than offset the increased demand and selling prices failed to keep up with cost increases. The cost of natural gas, the basic raw material used by CIL for manufacture of polyethylene, continued to rise steeply and as a result profit margins continued to erode.

During the year, new facilities to produce both conventional and co-extruded polyethylene films were successfully brought into production at Brampton, Ontario.

Environmental Improvement

The subsidiary and associated companies comprising the environmental improvement business all showed an increase in sales in 1976.

The program to adapt the "ICI Deep Shaft" effluent treatment process to North American conditions has made good progress. The pilot plant using this process for sewage treatment at Paris, Ontario, has been operating well



Spectators on the observation deck of the CN Tower in Toronto, the world's tallest free standing structure, look down on the compass rose on the roof of the Tower's restaurant, one of the many areas of the Tower painted with CIL products supplied to professional painters under the Brandram-Henderson label.

The polymers group of CIL's plastics division is now marketing products in metric measure. Polyethylene resin produced at the Edmonton works is packaged in 25 kg bags and 1 000 kg boxes as well as being shipped in 80 tonne bulk rail hopper cars. The 25 kg polyethylene bags are made at the Company's Brampton films plant.



for several months and further improvements have been made. Other pilot plants to treat brewery, starch and dairy wastes have been sold and two are already in operation.

The pilot plant for solid waste separation and gasification, built at the transfer station of CIL's associated company, Tricil Limited, Kingston, Ontario has been operating successfully for several months. Demand is growing for plants based on such technology, which is designed to reduce the volume of solid waste for eventual disposal and to recover values from it.

Property Development

Canadian Freehold Properties Ltd., an associated company in real estate development and investment, had a successful year, despite the generally slow demand for commercial and industrial properties across Canada.

In Victoria, British Columbia, an apartment condominium project was completed and a construction contract signed for a 127-room hotel to be operated by Delta Hotels Limited. A new office building in Burnaby, British Columbia, achieved a high occupancy level. The first phase of the Eastgate Business Park near Edmonton, Alberta, has been serviced, land sales have taken place and office buildings and warehouses are under construction. By the end of 1976, the CIL Square development in Toronto was fully leased, representing a successful office development in a difficult market.

Freehold Properties, Inc. was formed in the United States as a wholly owned subsidiary of Canadian Freehold Properties Ltd. and has acquired fully rented, revenue-producing commercial properties in Seattle, Los Angeles and Portland, Oregon.

A pilot plant developed at CIL's Chemicals Research Laboratory at McMasterville, Quebec, for re-refining waste oil can reclaim 75% of the used oil it processes, producing a high quality oil suitable as a base for lubricating oils, and not merely as a fuel source.





This employee at CIL's explosives works at McMasterville, Quebec, is using a new minicomputer for production control. The "mini" is one of about 20 being installed for various purposes at company locations. They will feed information directly from CIL plants and regional offices to a large dual processor computer centrally located at Don Mills, Ontario. The new computer network will provide faster turnaround of the vast amount of information required to operate the Company.

Employees

The very serious accidents which occurred in 1975 led to a thorough review of safety practices throughout all levels of the organization. By the use of such techniques as safety audits, hazard reviews of both existing operations and those being planned, and improved training practices, the downward trend in accident frequency rates, interrupted in 1975, was restored. The 1976 rate of 1.4 disabling injuries per million exposure hours was the third best in the Company's history and well below the average for the chemical industry in North America. Safety attitudes learned at work can also strongly influence employees in their outside environment and it is gratifying to report that the frequency of "off the job" injuries fell significantly during the past year.

The Company was in the midst of a significant amount of collective bargaining when the anti-inflation program was announced late in 1975. Substantial delays in reaching contract settlements ensued with most of these negotiations carrying over into 1976. Strikes occurred at Brownsburg, Quebec, and Nobel, Ontario, largely over issues related to the anti-inflation program, and at Valleyfield, Quebec.

The number of regular employees in the Company and in its subsidiaries at year end was 9034, an increase of 1% over a year ago.



Directors

At the meeting of the directors following the Annual General Meeting in 1976, Mr. E. L. Hamilton was elected Chairman of the Board and Mr. W. J. Mandry, who as President, had been Chief Operating Officer, was elected President and Chief Executive Officer. Mr. W. B. M. Duncan, C.B.E., and Dr. P. G. Harvey will not be standing for re-election to the Board in 1977.

Mr. Duncan was first elected to the Board in 1968. His broad knowledge of and experience in the international chemical industry, both in North America and overseas, and his intimate knowledge of CIL's operations contributed greatly to the progress of the Company. The counsel of Dr. Harvey, who became a director in 1974, was valued by the Board particularly in the technical and commercial areas of the chemical business in which he has had extensive experience.

Sales and Earnings

Consolidated net income amounted to \$24,363,000 for 1976, equivalent to \$2.47 a common share after provision for dividends on preferred shares. The comparable 1975 net income was \$42,638,000 or \$4.34 a common share. There were no extraordinary gains or losses in 1976, while in 1975 net extraordinary gains amounted to \$3,580,000. Dividends in respect of the year 1976, which were restricted by the anti-inflation legislation, totalled \$1.24 a common share compared to \$1.20 a share in respect of 1975.

Sales of CIL and its subsidiaries were \$613,852,000 in 1976 compared to \$594,908,000 in 1975. Sales of industrial chemicals increased with the addition of capacity for the manufacture of caustic soda and chlorine at Bécancour, Quebec. Shipments to pulp and paper customers improved following settlement of the prolonged strikes in that industry early in 1976. Demand for sulphuric acid was down in some markets, particularly in the fertilizer industry. Equipment sales to the mining and construction industries by Jarvis Clark increased substantially from 1975 and paint sales were also higher in all markets, particularly the automotive industry where market growth was strong.

The major decline in earnings occurred in agricultural chemicals where selling prices decreased considerably from the previous year while the cost of natural gas, a major raw material in the production of fertilizer, increased sharply. Earnings of the pesticide business were significantly lower as both selling prices and volume of sales declined, reflecting poor climatic conditions for pesticide use and severe competition from unregistered imported products. Explosives earnings suffered from extended strikes at Company plants and major customer locations and from cost increases that could not be recovered through selling price adjustments. Plastics films profits were also lower as selling prices declined and production costs continued to rise.

Depreciation of \$25,350,000 was provided during 1976, a decrease of \$1,358,000 from the amount provided in 1975. It is the Company's policy to write off the cost of each fixed asset evenly over its estimated remaining life. Annual reviews are made of the residual lives of all productive assets taking into account technological and commercial obsolescence as well as physical condition. The reduction in depreciation from 1975 was mainly the result of this review in 1976 which extended the estimates of the remaining useful lives of some of the Company's plants, principally the main plants for the production of agricultural chemicals at Courtright, Ontario, together with the absence of depreciation on the sporting ammunition investment which was fully depreciated at the end of 1975. Partly offsetting these reductions were the effect of providing depreciation for a full year for the chloralkali plant at Bécancour, Quebec, completed in the latter part of 1975, and the additional depreciation on facilities brought into operation during 1976.

Financing

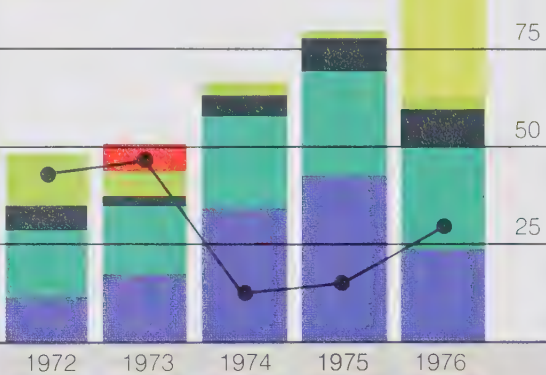
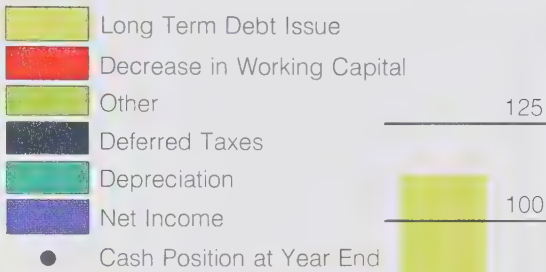
During the year the Company successfully sold in the Canadian market \$50,000,000 of sinking fund debentures at par. These debentures mature July 15, 1996 and bear interest at the rate of 10 $\frac{1}{2}$ % per annum. The proceeds of the issue are being used to defray the cost of capital expenditures and to finance working capital requirements. The carrying costs of the additional long-term debt were reflected in an increase of \$2,224,000 in long-term debt interest, discount and expense over the previous year. Short-term investment of that part of the proceeds of the issue not actively employed in the business during the year resulted in an increase in investment income of \$1,535,000 over that earned in 1975.

Earnings and Cash Flow a share in dollars

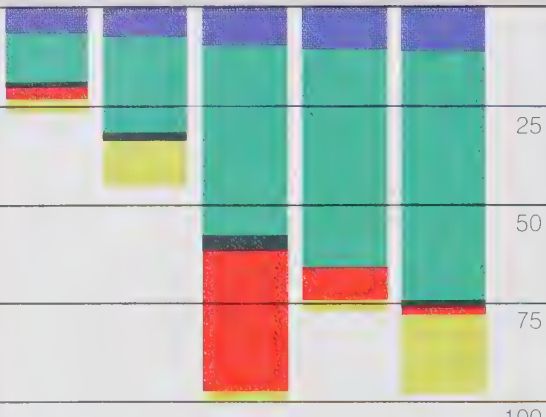


Changes in Financial Position

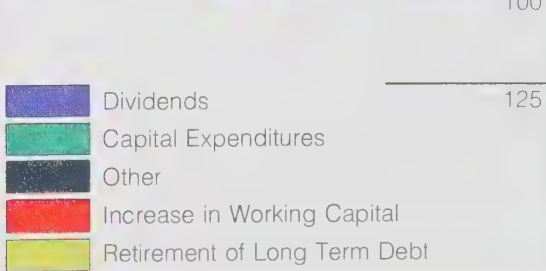
millions of dollars



Funds generated by



Funds used for



Working Capital

Cash resources increased by \$13,022,000 from December 31, 1975 as funds generated from operations, after payment of dividends, and the proceeds of the debenture issue, exceeded capital expenditures and purchases in the market of some of the Company's outstanding 5¾% debentures due for retirement December 1, 1977. Other working capital items increased by a net of \$2,424,000 or 2% over the previous year end. These items included a current liability of \$12,382,000 representing the balance of the 5¾% debentures due in 1977.

Capital Expenditures

Expenditures on land, buildings, equipment and long-term investments amounted to \$62,876,000, an increase of 14% over 1975. The principal item was the construction of the ammonium nitrate plant at Carseland, Alberta which was completed in the first quarter of 1977. Also included were expenditures incurred to expand and modernize commercial explosives plants, new facilities for the distribution of sulphuric acid in the United States and the construction of the "Cereclor" chlorinated paraffins plant at Cornwall, Ontario. The unexpended balance at December 31, 1976 on projects authorized is estimated at \$49,000,000.

Anti-Inflation Legislation

CIL and its Canadian subsidiaries have been subject to the guidelines issued by the Government of Canada under the Anti-Inflation Act, effective October 14, 1975. These guidelines impose restraints on prices, profits, dividends and compensation of employees. CIL was among the companies required by the Anti-Inflation Board to report compliance on a quarterly basis, and to notify the Board in advance of significant price increases for the Company's manufactured products.

The Company reported excess revenue of \$91,000 on nine manufactured products for the period October 14 to December 31, 1975. A compliance plan was filed with the Board which eliminated this excess revenue within the first three months of 1976. CIL and its subsidiaries generated only a minor amount of excess revenue in 1976.

Impact of Inflation

Although the rate of inflation experienced by the Canadian economy during 1976 was relatively modest compared with 1975 and 1974, it remains an important factor to be considered in evaluating the financial results of the Company.

A suitable method of measuring and reporting the effects of inflation on business results has not yet been agreed upon in Canada. The Canadian Institute of Chartered Accountants has issued a paper on inflation accounting with a view to encouraging public discussion and experimentation by businesses. It is hoped that the discussion of this paper will result in an agreed accounting standard being established in 1977. Important features of inflation accounting to be resolved, which will have significant impact on the reported earnings, concern the extent to which allowances will be made for inflationary factors in determining income taxes and the method of dealing with monetary items including long term debt.

During 1976 the company continued to experiment with and to develop replacement cost methods for measuring the impact of inflation on its accounts. This involved a revaluation of a major portion of the Company's manufacturing facilities on the basis of replacing productive capacity at present day costs, which in turn required consideration of the changes in the value of assets arising from inflation, obsolescence, and technological improvements. Based upon this revaluation of fixed assets, the depreciation charge for the year would be approximately \$13.3 million higher than provided under historic cost depreciation methods. In addition, determination of the cost of sales on the basis of the cost of replacing the products sold at the date of sale rather than on the historic average cost would result in an additional increase in costs of \$6.7 million.

Therefore if the Company's earnings in 1976 were adjusted to recognize depreciation calculated on current replacement cost of fixed assets and cost of sales based upon replacement cost at the date of sale, it is estimated that the income before taxes would be reduced by approximately \$20 million.

It should be stressed that the problem of reporting the impact of inflation on the accounts of a corporation is far from resolved. Many factors which would govern the replacement of an existing plant such as preferred location, cost benefits, etc., are not taken into account in calculating current replacement values. Therefore the figures provided above should be regarded as no more than a general indication of amounts involved. If tax accommodations were forthcoming and if a credit were taken for net monetary items, the CIL adjustment for inflation would be considerably reduced.

CIL supports the general concept of replacement cost accounting, although we have concerns at this time about the considerable amount of subjectivity required in the compilation of figures and the consequent possibility, in the absence of agreed standards, of the indicated results being misinterpreted.

Consolidated Statement of Income and Retained Earnings

for the year ended December 31

	1976	1975
Sales	\$613,852,000	\$594,908,000
Costs and expenses		
Operating costs excluding depreciation	539,169,000	482,161,000
Provision for depreciation	25,350,000	26,708,000
	564,519,000	508,869,000
Income from operations	49,333,000	86,039,000
Income from investments	2,405,000	870,000
Share in earnings of associated companies	1,569,000	1,527,000
Long term debt interest, discount and expense	(5,157,000)	(2,933,000)
Income before provision for taxes	48,150,000	85,503,000
Provision for income taxes	20,520,000	39,515,000
Net income including minority interest	27,630,000	45,988,000
Minority shareholders' interest in the net income of subsidiary companies	3,267,000	3,350,000
Net income before extraordinary items	24,363,000	42,638,000
Extraordinary items — net	—	3,580,000
Net income after extraordinary items	24,363,000	46,218,000
Retained earnings at beginning of year	134,159,000	99,868,000
Deduct: Dividends		
Preferred — 7½%	174,000	174,000
Common (\$1.24; 1975 — \$1.20)	12,145,000	11,753,000
	12,319,000	11,927,000
Retained earnings at end of year	\$146,203,000	\$134,159,000
Earnings a common share, after preferred dividends		
Before extraordinary items	\$2.47	\$4.34
After extraordinary items	\$2.47	\$4.70

Consolidated Balance Sheet

at December 31

	1976	1975
Current assets		
Cash and deposits at interest	\$ 31,229,000	\$ 18,227,000
Marketable securities (market value \$104,000; 1975 \$131,000)	102,000	123,000
Accounts receivable		
Trade and other	92,057,000	85,160,000
Affiliated companies	2,318,000	1,696,000
Inventories (Note 2)	103,850,000	104,118,000
Prepaid expenses	2,121,000	2,089,000
Total	231,677,000	211,413,000
Deduct:		
Current liabilities		
Bank loans	2,970,000	3,011,000
Accounts payable and accrued liabilities		
Trade and other	72,484,000	70,898,000
Affiliated companies	3,627,000	2,441,000
Federal and provincial income taxes payable	354,000	10,756,000
Dividends payable	3,320,000	3,113,000
Long term debt due within one year (Note 4)	12,922,000	640,000
Total	95,677,000	90,859,000
Working capital	136,000,000	120,554,000
Investment in associated companies	19,199,000	18,193,000
Land, buildings and equipment (Note 3)	195,941,000	160,405,000
Unamortized debenture discount and expense	1,071,000	215,000
Funds invested	\$352,211,000	\$299,367,000
Financed by:		
Long term debt (Note 4)	\$ 80,488,000	\$ 51,096,000
Minority shareholders' interest in subsidiary companies	11,150,000	9,656,000
Deferred income taxes	38,179,000	28,265,000
Shareholders' equity		
Capital stock	Shares	
7½% cumulative preferred of \$50 par value		
Authorized and issued	46,500	2,325,000
Common of no par value		
Authorized	13,500,000	
Issued	9,794,161	73,866,000
Retained Earnings	146,203,000	134,159,000
Total	222,394,000	210,350,000
	\$352,211,000	\$299,367,000

On behalf of the Board:

James Sinclair, Director W. J. Mandry, Director

2. Inventories

The inventories are classified as follows:

	December 31, 1976	December 31, 1975
Raw materials	\$ 26,348,000	\$ 33,456,000
Goods in process and finished goods	74,481,000	68,293,000
Stores and supplies	3,021,000	2,369,000
	<u>\$103,850,000</u>	<u>\$104,118,000</u>

3. Land, buildings and equipment

	December 31, 1976	December 31, 1975
Land at cost	\$ 7,380,000	\$ 5,690,000
Buildings and equipment	413,015,000	360,833,000
Less: Accumulated depreciation	224,454,000	206,118,000
	188,561,000	154,715,000
	<u>\$195,941,000</u>	<u>\$160,405,000</u>

It is estimated that expenditures of \$49 million will be required to complete projects authorized prior to December 31, 1976.

4. Long term debt

	December 31, 1976	December 31, 1975
5¾% debentures due December 1, 1977	\$ 20,000,000	\$ 20,000,000
Less: Purchased and cancelled	7,618,000	—
	12,382,000	20,000,000
Due within one year	12,382,000	—
	—	20,000,000
5½% debentures due December 1, 1984	30,000,000	30,000,000
10½% sinking fund debentures due July 15, 1996	50,000,000	—
Other (net of current portion, \$540,000; 1975 — \$640,000)	488,000	1,096,000
	<u>\$ 80,488,000</u>	<u>\$ 51,096,000</u>

Sinking fund provisions of the 10½% debentures require the Company to make payments to the trustee sufficient to retire \$2,000,000 principal amount on July 15 in each of the years 1982 to 1995 inclusive.

5. Pension plan

The Company and most of its subsidiaries have a pension plan covering the majority of their employees. The contributions made by the companies and their employees are deposited in an irrevocable trust fund in accordance with the terms of the plan. There remains an unfunded liability at December 31, 1976 with respect to past services of \$2,102,000, based on an actuarial valuation received in 1975. This amount will be paid over the following fourteen years, in accordance with the regulations made under the Quebec Supplemental Pension Plans Act.

6. Contingent liabilities

The Company had contingent liabilities as at December 31, 1976 of \$2,447,000 with respect to guarantees on behalf of other companies and other contingent liabilities of \$1,607,000.

7. Remuneration of all persons who acted as directors and senior officers of this Company at any time during the year.

	1976		1975	
	Number	Amount	Number	Amount
As directors	13	\$ 68,000	14	\$ 68,000
As officers	17	1,213,000	17	1,156,000
Officers who are also directors	5		5	

8. Lease commitments

The Company has certain lease commitments for the rental of buildings with aggregate net rentals of approximately \$2,300,000 per annum expiring at various dates to 1998 and for rental of tank cars and other facilities of \$9,400,000 per annum expiring at various dates to 1986.

9. Sales by classes of business

	1976		1975	
	Amount	%	Amount	%
Agricultural and Industrial Chemicals	\$323,821,000	53	\$312,667,000	53
Explosives, Ammunition and related products	187,260,000	30	186,068,000	31
Paints and Pigments	65,793,000	11	58,710,000	10
Other	36,978,000	6	37,463,000	6
	<u>\$613,852,000</u>	<u>100</u>	<u>\$594,908,000</u>	<u>100</u>

Auditors' Report

The Shareholders,
Canadian Industries Limited.

We have examined the consolidated balance sheet of Canadian Industries Limited as at December 31, 1976 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the changes in financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.

Chartered Accountants.

Montreal, Canada February 16, 1977.

Consolidated Financial Review

	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967
Consolidated Income Statement Items (millions of dollars)										
Sales	613.9	594.9	517.6	383.3	324.5	349.2	323.3	324.2	305.1	273.0
Depreciation	25.4	26.7	21.8	18.6	17.6	19.7	19.8	21.3	18.9	13.0
Income from operations	49.3	86.0	65.5	32.8	23.6	24.3	19.8	24.0	24.7	18.8
Long term debt interest, discount and expense	5.2	2.9	3.1	3.2	3.4	4.2	4.7	4.7	5.0	4.7
Provision for income taxes	20.5	39.5	28.9	14.9	10.1	9.9	6.5	7.4	10.4	8.2
Net income*	24.4	42.6	34.8	16.0	10.5	9.5	8.1	10.5	10.0	6.9
Dividends	12.3	11.9	11.4	8.5	6.1	6.1	6.1	6.1	5.1	6.5
Consolidated Balance Sheet Items (millions of dollars)										
Working capital	136.0	120.6	110.0	107.3	111.2	87.0	68.1	65.8	57.1	45.4
Fixed assets	420.4	366.5	316.4	280.0	262.3	253.0	320.2	297.0	301.7	306.5
Accumulated depreciation	224.5	206.1	183.6	164.5	148.6	132.7	164.6	145.9	136.8	130.9
Capital expenditures	62.1	54.3	47.6	24.8	12.8	16.8	14.8	15.0	14.0	32.0
Long term debt	80.5	51.1	51.7	55.5	63.1	66.1	83.6	82.5	87.3	86.2
Shareholders' equity										
Preferred 7½%	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Common	220.1	208.0	173.7	150.3	142.8	138.3	127.9	125.8	118.3	113.4
Per Share of Common Stock (dollars per share)										
Earnings*	2.47	4.34	3.54	1.61	1.06	0.95	0.81	1.05	1.00	0.69
Dividends	1.24	1.20	1.15	0.85	0.60	0.60	0.60	0.60	0.50	0.65
Equity	22.47	21.24	17.74	15.35	14.58	14.12	13.06	12.84	12.08	11.58
Quarterly earnings										
1st Quarter	0.26	1.12								
2nd Quarter	1.42	1.64								
3rd Quarter	0.33	0.86								
4th Quarter	0.46	0.72								
Year	2.47	4.34								

* Before extraordinary items.

Rapport des vérificateurs

Aux actionnaires
Canadian Industries Limited

Nous avons vérifié le bilan consolidé de la Canadian Industries Limited au 31 décembre 1976 ainsi que les états consolidés du revenu et des bénéfices non répartis et de l'évolution de la situation financière pour l'exercice terminé à cette date. Notre vérification a été effectuée conformément aux normes de vérification généralement reconnues, et a compris par conséquent les sondages et autres procédés que nous avons jugés nécessaires dans les circonstances.

A notre avis, ces états financiers consolidés présentent fidèlement la situation financière de la compagnie au 31 décembre 1976 ainsi que les résultats de son exploitation et l'évolution de sa situation financière pour l'exercice terminé à cette date selon les principes comptables généralement reconnus, appliqués de la même manière qu'au cours de l'exercice précédent.


Comptables agréés

Montréal, Canada le 16 février 1977

Revue des états consolidés

	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967
Postes de l'état consolidé du revenu (millions de dollars)										
Ventes	613.9	594.9	517.6	383.3	324.5	349.2	323.3	324.2	305.1	273.0
Amortissement	25.4	26.7	21.8	18.6	17.6	19.7	19.8	21.3	18.9	13.0
Bénéfice d'exploitation	49.3	86.0	65.5	32.8	23.6	24.3	19.8	24.0	24.7	18.8
Intérêt, escompte et frais relatifs à la dette à long terme	5.2	2.9	3.1	3.2	3.4	4.2	4.7	4.7	5.0	4.7
Provision pour impôts sur le revenu	20.5	39.5	28.9	14.9	10.1	9.9	6.5	7.4	10.4	8.2
Bénéfice net*	24.4	42.6	34.8	16.0	10.5	9.5	8.1	10.5	10.0	6.9
Dividendes	12.3	11.9	11.4	8.5	6.1	6.1	6.1	6.1	5.1	6.5

Postes du bilan consolidé (millions de dollars)										
Fonds de roulement	136.0	120.6	110.0	107.3	111.2	87.0	68.1	65.8	57.1	45.4
Immobilisations	420.4	366.5	316.4	280.0	262.3	253.0	320.2	297.0	301.7	306.5
Amortissement accumulé	224.5	206.1	183.6	164.5	148.6	132.7	164.6	145.9	136.8	130.9
Dépenses en immobilisations	62.1	54.3	47.6	24.8	12.8	16.8	14.8	15.0	14.0	32.0
Dette à long terme	80.5	51.1	51.7	55.5	63.1	66.1	83.6	82.5	87.3	86.2
Avoir des actionnaires	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Actions privilégiées à 7½%	220.1	208.0	173.7	150.3	142.8	138.3	127.9	125.8	118.3	113.4
Actions ordinaires	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3

Répartition par action ordinaire (dollars par action)										
Bénéfice*	2.47	4.34	3.54	1.61	1.06	0.95	0.81	1.05	1.00	0.69
Dividendes	1.24	1.20	1.15	0.85	0.60	0.60	0.60	0.60	0.50	0.65
Avoir	22.47	21.24	17.74	15.35	14.58	14.12	13.06	12.84	12.08	11.58
Bénéfice trimestriel	0.26	1.12	1.11	0.86	0.60	0.60	0.60	0.60	0.50	0.65
1er trimestre	0.26	1.12	1.11	0.86	0.60	0.60	0.60	0.60	0.50	0.65
2e trimestre	1.42	1.64	1.64	1.06	0.60	0.60	0.60	0.60	0.50	0.65
3e trimestre	0.33	0.86	0.86	0.60	0.60	0.60	0.60	0.60	0.50	0.65
4e trimestre	0.46	0.72	0.72	0.60	0.60	0.60	0.60	0.60	0.50	0.65
Exercice	2.47	4.34	3.54	1.61	1.06	0.95	0.81	1.05	1.00	0.69

*Sans les postes extraordinaires

5. Régime de retraite

La Compagnie et la plupart de ses filiales offrent un régime de retraite à la majorité de leurs salariés. Les cotisations versées par les compagnies et les salariés sont détenues, selon les termes du régime, dans un compte en fiducie irrévocable. Selon une évaluation actuarielle soumise en 1975, le régime a, au 31 décembre 1976, un passif non pourvu à l'égard des services passés de \$2 102 000. Ce montant sera payé au cours des quatorze prochaines années, conformément aux règlements adoptés en vertu de la Loi des régimes supplémentaires de rentes du Québec.

6. Passif éventuel

Au 31 décembre 1976, la Compagnie avait un passif éventuel de \$2 447 000 par suite de garanties d'emprunts au nom d'autres compagnies, et un autre passif éventuel de \$1 607 000.

7. Rémunération de toutes les personnes qui ont exercé des fonctions à titre d'administrateurs ou de membres de la direction en tout temps au cours de l'exercice

1976		1975	
Nombre	Montant	Nombre	Montant
13	\$ 68 000	14	\$ 68 000
17	1 213 000	17	1 156 000

A titre d'administrateurs
A titre de membres de la direction
Membres de la direction
qui sont également administrateurs

8. Engagements en vertu de baux

La Compagnie a certains engagements de location d'immeubles dont le loyer global net s'élève à environ \$2 300 000 par année, en vertu de baux qui s'échelonnent jusqu'en 1998, et de location de wagons-citernes et d'autres installations pour une somme de \$9 400 000 par année, en vertu de contrats s'échelonnant jusqu'en 1986.

9. Ventes par secteur d'activité

1976		1975	
Montant	%	Montant	%
\$323 821 000	53	\$312 667 000	53
187 260 000	30	186 068 000	31
65 793 000	11	58 710 000	10
36 978 000	6	37 463 000	6
\$613 852 000	100	\$594 908 000	100

Produits chimiques agricoles
et industriels
Explosifs, munitions et
produits connexes
Peintures et pigments
Autres produits

2. Stocks

Les stocks sont classés comme suit:

31 décembre 1975	\$ 33 456 000	\$ 26 348 000	31 décembre 1976	74 481 000	\$103 850 000
	68 293 000			3 021 000	
	2 369 000				\$104 118 000
Matières premières					
Produits en cours de fabrication					
et produits finis					
Approvisionnement et fournitures					

3. Terrains, immeubles et outillage

31 décembre 1975	\$ 5 690 000	\$ 7 380 000	31 décembre 1976	413 015 000	224 454 000	Terrains au prix coûtant Immeubles et outillage Moins: amortissement accumulé
	360 833 000	413 015 000		224 454 000		
	206 118 000	224 454 000		188 561 000		
31 décembre 1975	\$ 160 405 000	\$195 941 000	31 décembre 1976	154 715 000	\$195 941 000	
	154 715 000	188 561 000		154 715 000		
		154 715 000				

4. Dette à long terme

31 décembre 1975	\$ 20 000 000	7 618 000	12 382 000	12 382 000	20 000 000	—	20 000 000	30 000 000	—	1 096 000	\$ 51 096 000
31 décembre 1976	\$ 20 000 000	7 618 000	12 382 000	12 382 000	—	30 000 000	50 000 000	488 000	\$ 80 488 000		
Débentures 5¼%, échéant le 1er décembre 1977											
Moins: débentures rachetées et annulées											
Échéant à moins d'un an											
Débentures 5½%, échéant le 1er décembre 1984											
Débentures 10½%, à fonds d'amortissement,											
échéant le 15 juillet 1996											
Autres dettes (déduction faite de la tranche											
courante de \$540 000; en 1975, \$640 000)											

Les dispositions relatives au fonds d'amortissement des débentures 10½% exigent que la Compagnie verse au fiduciaire des montants suffisants pour retirer un montant en capital de \$2 000 000 le 15 juillet chaque année à compter de 1982 jusqu'à 1995 inclusivement.

1. Conventions comptables

Consolidation

Les états consolidés comprennent les comptes de la Canadian Industries Limited et de toutes ses filiales, sauf une filiale étrangère dans laquelle l'investissement de la Compagnie a été radié. La Compagnie comptabilise ses acquisitions selon la méthode de l'achat pur et simple, et suit la pratique qui consiste à ajouter aux immobilisations consolidées, ou à en déduire, la différence entre le prix coûtant de ses participations dans les filiales et la valeur comptable nette de leur actif à la date de l'acquisition. Cet excédent est amorti sur une période de dix ans. Au 31 décembre 1976, l'excédent non amorti était de \$2 375 000.

Devises étrangères

L'actif et le passif à court terme des filiales étrangères qui figurent aux états consolidés ainsi que leurs comptes de revenus et dépenses sont convertis en dollars canadiens selon les cours des changes en vigueur à la fin de leurs périodes comptables respectives. Les immobilisations, la dette à long terme et l'avoir des actionnaires de ces mêmes filiales sont convertis selon les cours en vigueur au moment de leur acquisition, prise en charge ou émission initiale.

Stocks

Les stocks sont évalués au moindre du prix coûtant moyen et de la valeur de réalisation nette. Les produits en cours de fabrication et les produits finis comprennent le coût des matières premières, de la main-d'œuvre directe et les frais généraux de fabrication.

Participation dans les compagnies associées

A compter du 1er janvier 1974, les participations dans les compagnies associées ont été comptabilisées à la valeur de consolidation. D'après cette méthode, la quote-part de la CIL des bénéfices nets de ces compagnies associées est comprise dans l'état consolidé du revenu et des bénéfices non répartis sans attendre qu'elle se réalise sous forme de dividendes. Les placements sont portés dans le bilan consolidé au coût d'acquisition plus la quote-part des bénéfices revenant à la Compagnie à partir du 1er janvier 1974, moins les dividendes perçus et les sommes radiées lorsque la valeur d'actif sous-jacente est devenue nulle.

Immobilisations et amortissement

Les immeubles et l'outillage sont inscrits au prix coûtant moins l'amortissement accumulé. La Compagnie suit la pratique d'amortir la valeur comptable de chaque bien de façon uniforme sur le reste de sa durée d'utilisation estimative; la durée d'utilisation restante de tous les biens de production fait l'objet d'une révision annuelle qui tient compte de la désuétude commerciale et technique ainsi que de l'état physique des biens.

Recherche et mise en valeur

Toutes les dépenses engagées aux chapitres de la recherche et de la mise en valeur, à l'exception des immeubles et de l'outillage principal servant à cette fin, sont imputées aux résultats de l'exercice où elles sont effectuées.

Régime de retraite

La majorité des salariés de la CIL participent aux régimes de retraite de la Compagnie. Les coûts de ces régimes sont imputés aux résultats de l'exercice où sont dus les cotisations courantes et les versements spéciaux de capitalisation relatifs aux services passés. Les coûts des régimes en fiducie relatifs aux années de service antérieures sont amortis aux termes des règlements de la Loi des régimes supplémentaires de rentes du Québec.

Impôts sur le revenu

La Compagnie utilise la méthode du report d'impôt dans le calcul de sa provision pour impôts sur le revenu. Selon cette méthode, le montant payable en impôts sur le revenu peut différer de la provision totale pour les impôts sur le revenu de l'année, en raison des écarts temporaires qui existent entre le moment où l'on inscrit les dépenses aux fins de comptabilité et celui où l'on tient compte de ces mêmes dépenses aux fins d'impôts. Ces écarts sont en grande partie attribuables au fait que l'on réclame des déductions maximales pour les amortissements fiscaux, lesquels sont supérieurs aux amortissements comptables. Les répercussions qu'entraînent ces décalages sur les impôts figurent au poste "Impôts sur le revenu reportés".

Etat consolidé de l'évolution de la situation financière

pour l'exercice terminé le 31 décembre

1975	1976	
Provenance des fonds		
Fonds provenant de l'exploitation	\$ 24 363 000	\$42 638 000
Bénéfice net sans les postes extraordinaires	25 757 000	27 094 000
Amortissements	9 289 000	7 773 000
Impôts sur le revenu reportés		
Excédent sur les dividendes reçus de la quote-part	(490 000)	(2 144 000)
Emission de dette à long terme	58 919 000	75 361 000
Part des actionnaires minoritaires dans les bénéfices	50 000 000	—
nets des filiales moins les dividendes	1 810 000	1 935 000
Vente d'immobilisations	1 715 000	1 457 000
Rachat d'actions privilégiées de compagnies associées	28 000	716 000
Total	112 472 000	79 469 000
Affectation des fonds		
Dividendes	12 319 000	11 927 000
Nouvelles immobilisations	62 131 000	54 305 000
Acquisition et vente de filiales et d'actions de compagnies associées — net, moins l'encaisse acquise	745 000	1 049 000
Remboursement sur la dette à long terme	20 608 000	640 000
Escompte à la souscription et frais relatifs à l'émission de dette à long terme	931 000	—
Rachat d'actions privilégiées par une filiale	292 000	—
Augmentation nette du fonds de roulement à l'exclusion de l'encaisse, des titres négociables et des emprunts bancaires	2 424 000	8 528 000
Total	99 450 000	76 449 000
Augmentation des fonds au cours de l'exercice		
Fonds disponibles moins les emprunts bancaires au 1er janvier	13 022 000	3 020 000
Fonds disponibles moins les emprunts bancaires au 31 décembre	15 339 000	12 319 000
	\$ 28 361 000	\$15 339 000

1975

1976

Actif à court terme

Encaisse et dépôts portant intérêt
Titres négociables (valeur marchande de \$104 000;
en 1975, \$131 000)

\$ 31 229 000

102 000

123 000

Comptes à recevoir

92 057 000

85 160 000

Sommes à recevoir de compagnies affiliées

1 696 000

2 318 000

104 118 000

Frais payés d'avance

2 089 000

231 677 000

211 413 000

Total

A déduire:

Passif à court terme

Emprunts bancaires

2 970 000

3 011 000

Comptes à payer et frais courus

72 484 000

70 898 000

Clients et autres

3 627 000

2 441 000

Sommes à payer à des compagnies affiliées

354 000

10 756 000

Dividendes à payer

3 320 000

3 113 000

Tranche de la dette à long terme échéant à

12 922 000

640 000

moins d'un an (note 4)

Total

95 677 000

90 859 000

Fonds de roulement

Participation dans les compagnies associées

136 000 000

120 554 000

Terrains, immeubles et outillage (note 3)

19 199 000

18 193 000

Escompte et frais non amortis relatifs aux débentures

1 071 000

215 000

Investissement total

\$352 211 000

\$299 367 000

Financé comme suit:

Dette à long terme (note 4)

\$ 80 488 000

\$ 51 096 000

Part des actionnaires minoritaires dans les filiales

11 150 000

9 656 000

Impôts sur le revenu reportés

38 179 000

28 265 000

Avoir des actionnaires

Actions

2 325 000

2 325 000

Capital-actions
Actions privilégiées d'une valeur
nominale de \$50 au dividende
cumulatif de 7½%

46 500

Autorisées et émises
Actions ordinaires sans valeur
nominale

13 500 000

Autorisées
Émises

Bénéfices non répartis

146 203 000

73 866 000

222 394 000

210 350 000

Total

\$352 211 000

\$299 367 000

Au nom du conseil d'administration

James Sinclair, administrateur

W. J. Mandry, administrateur

Etat consolidé du revenu et des bénéfices non répartis

pour l'exercice terminé le 31 décembre

1975	\$613 852 000	\$594 908 000
Ventes		
Coûts et dépenses		
	539 169 000	482 161 000
	25 350 000	26 708 000
	564 519 000	508 869 000
	49 333 000	86 039 000
	2 405 000	870 000
	1 569 000	1 527 000
	(5 157 000)	(2 933 000)
	48 150 000	85 503 000
	20 520 000	39 515 000
	27 630 000	45 988 000
	3 267 000	3 350 000
	24 363 000	42 638 000
	—	3 580 000
	24 363 000	46 218 000
	134 159 000	99 868 000
	Moins: Dividendes payés sur	
	Actions privilégiées — 7½%	
	Actions ordinaires (\$1.24 l'action;	
	\$1.20 en 1974)	
	174 000	174 000
	12 145 000	11 753 000
	12 319 000	11 927 000
	\$146 203 000	\$134 159 000
Bénéfices non répartis à la fin de l'exercice		
Bénéfices par action ordinaire après dividendes sur les actions privilégiées		
	\$2.47	\$4.34
	\$2.47	\$4.70

publiquement et à tenter leurs propres expériences. On espère que les discussions suscitées par ce document permettront d'établir des normes de comptabilité acceptées par tous en 1977. Il reste encore à résoudre des points importants pouvant influencer grandement sur le revenu d'une compagnie, à savoir l'importance qui sera accordée aux facteurs inflationnistes dans l'établissement du revenu imposable et le choix d'une méthode pour comptabiliser les postes à valeur vénale fixe, y compris la dette à long terme.

En 1976, la Compagnie a poursuivi ses efforts en vue de mettre au point et d'essayer des méthodes fondées sur les coûts de remplacement pour évaluer les effets de l'inflation sur ses comptes. Pour ce faire, il a fallu réévaluer la majeure partie des installations de fabrication de la Compagnie en se basant sur le coût de remplacement courant de la puissance de production, ce qui a nécessité la prise en considération des changements qu'a connus la valeur des avoirs en raison de l'inflation, de la désuétude du matériel et du progrès technique. Suivant cette réévaluation des valeurs immobilisées, l'annuité d'amortissement excéderait d'environ \$13,3 millions l'annuité d'amortissement établie d'après la méthode traditionnelle. De plus, si l'on établissait le coût des produits vendus d'après leur coût de remplacement au moment de leur vente plutôt que d'après la méthode traditionnelle du coût moyen, il sensuivrait une augmentation supplémentaire des coûts de \$6,7 millions.

Donc, si l'on rajustait le bénéfice de la CIL pour l'année 1976 de manière à tenir compte de l'annuité d'amortissement calculée en fonction du coût de remplacement courant des immobilisations ainsi que du coût des marchandises vendues établi d'après leur coût de remplacement au moment de leur vente, le bénéfice avant provisions pour impôts serait inférieur d'environ \$20 millions au montant inscrit.

Il est à noter que le problème que pose l'incidence de l'inflation sur la comptabilité d'une entreprise est loin d'être résolu. Un grand nombre de facteurs qui joueraient normalement lors du remplacement d'une usine déjà existante, comme un meilleur emplacement, des coûts de production avantageux, etc., ne sont pas pris en considération lors du calcul des coûts de remplacement courants. Ainsi, les sommes mentionnées ci-haut ne le sont qu'à titre d'indication générale. Si des rajustements d'impôts étaient à venir et si l'on accordait un crédit pour les postes à valeur vénale fixe, le rajustement effectué par la CIL pour tenir compte de l'inflation serait considérablement réduit.

La CIL favorise le principe de la comptabilité au coût de remplacement, bien qu'elle s'inquiète actuellement de la grande part de subjectivité que nécessitent les calculs, ainsi que de la mauvaise interprétation possible des résultats que peut entraîner l'absence de normes établies.

marché canadien. Ces débentures tombent à échéance le 15 juillet 1996 et portent un intérêt de 10½% par année. Le produit de cette émission est affecté au paiement des dépenses en immobilisations ainsi qu'à l'alimentation du fonds de roulement. Les frais financiers de la dette à long terme supplémentaire se sont traduits par la hausse de \$2 224 000 qu'a enregistrée le poste "Intérêt, escompte et frais relatifs à la dette à long terme" par rapport à l'exercice précédent. Les revenus de placement se sont accrus de \$1 535 000 par rapport à 1975, cet accroissement provenant du placement à court terme de la part du produit de l'émission non affectée à l'exploitation de l'entreprise au cours de l'exercice.

Fonds de roulement

Depuis le 31 décembre 1975, l'encaisse de la Compagnie a augmenté de \$13 022 000; en effet, après paiement des dividendes, les fonds provenant de l'exploitation et le produit de l'émission de débentures excédaient les dépenses en immobilisations et la somme consacrée au rachat d'une partie des débentures 5¾% échéant le 1er décembre 1977 qui étaient encore en circulation. Les autres postes du fonds de roulement ont enregistré un accroissement net de \$2 424 000, soit une hausse de 2% comparativement à l'exercice précédent. Ces postes comprennent un passif à court terme de \$12 382 000 représentant le reste des débentures 5¾% échéant en 1977.

Immobilisations

En 1975, les dépenses en immobilisations en matière de terrains, d'immeubles, d'outillage et d'investissements à long terme se sont élevées à \$62 876 000, soit une hausse de 14% par rapport à 1975. La principale affectation a porté sur la construction de l'usine de nitrates d'ammonium de Carseland (Alberta), qui a été achevée au cours du premier trimestre de 1977, mais cette somme comprend également les dépenses inhérentes à l'agrandissement et à la modernisation des usines d'explosifs industriels, à l'extension du réseau de distribution d'acide sulfurique aux États-Unis et à la

Effets de l'inflation

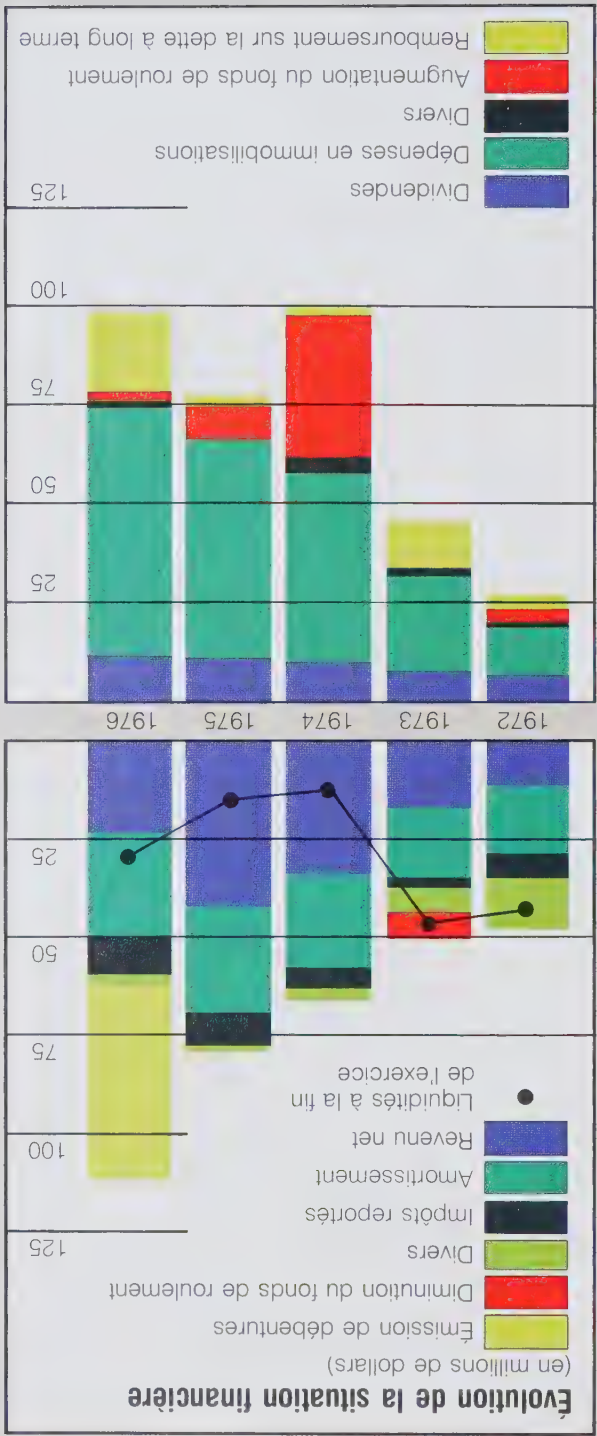
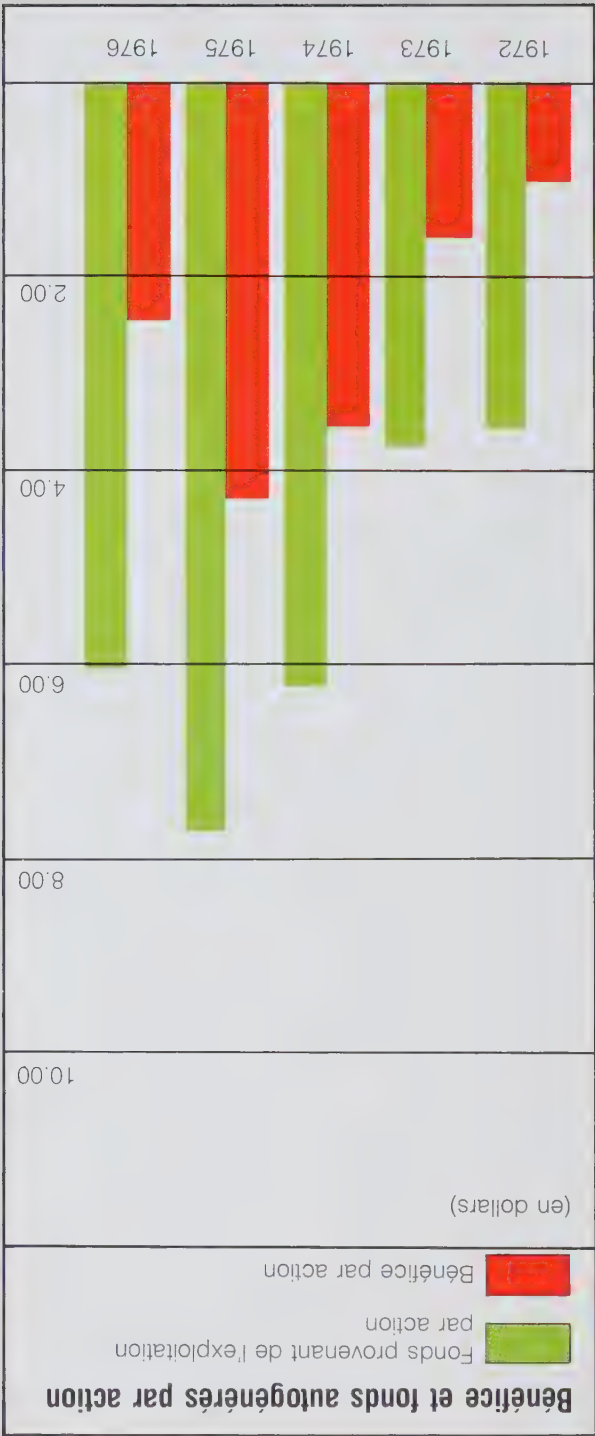
Au cours de la période allant du 14 octobre au 31 décembre 1975, la CIL a réalisé un surcroît de recettes de l'ordre de \$91 000 imputable à neuf de ses produits manufacturés. La Compagnie a présentée à la Commission de lutte contre l'inflation un programme qui lui a permis de se conformer à la loi et d'éliminer ce surcroît au cours du premier trimestre de 1976. La CIL et ses filiales n'ont enregistré qu'un faible surcroît de recettes pour l'exercice 1976.

Loi anti-inflation

La CIL et ses filiales canadiennes ont été soumises aux directives comprises dans la loi anti-inflation adoptée par le gouvernement canadien le 14 octobre 1975. Ces directives imposent des restrictions quant aux prix, aux bénéfices, aux dividendes et aux rémunérations. La CIL comptait au nombre des compagnies appelées à remettre des rapports trimestriels à la Commission de lutte contre l'inflation pour montrer qu'elle se conformait aux règlements de la loi et à préavisier la Commission de toute augmentation sensible du prix de ses produits manufacturés.

Bien que l'économie canadienne ait connu un taux d'inflation relativement modéré en 1976, comparativement aux deux années précédentes, ce taux est toujours un facteur d'importances dont il faut tenir compte dans l'évaluation des résultats financiers de la Compagnie. Aucune méthode efficace pour mesurer et comptabiliser les répercussions de l'inflation sur le cours des affaires n'a encore été arrêtée au Canada. L'Institut Canadien des Comptables Agréés a publié un document portant sur la comptabilité en période d'inflation en vue d'encourager les entreprises à en discuter

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Après déduction des dividendes sur les actions privilégiées, le revenu net consolidé de 1976 a atteint \$24 363 000, soit \$2,47 par action ordinaire, par rapport à \$42 638 000 ou \$4,34 par action ordinaire pour l'exercice 1975. Il n'y a pas eu de bénéfices ou de pertes extraordinaires en 1976, alors qu'en 1975, les bénéfices extraordinaires nets totalisaient \$3 580 000. Les dividendes pour 1976, limités en vertu de la loi anti-inflation, se sont élevés à \$1,24 par action ordinaire, comparativement à \$1,20 par action en 1975.

Le principal recul quant aux bénéfices s'est manifesté dans le secteur des produits chimiques agricoles en raison de la baisse considérable des prix de vente par rapport à l'année dernière ainsi que de la montée en flèche du prix du gaz naturel, l'une des principales matières premières entrant dans la fabrication des engrais. Les bénéfices réalisés par le secteur des pesticides ont sensiblement régressé par suite d'une diminution des prix de vente et du volume des ventes, attribuable à des conditions météorologiques peu propices

services pour les installations mises en service au cours de 1976.

à l'utilisation de pesticides et à la forte concurrence découlant de l'importation de produits non enregistrés. L'amenuisement des bénéfices dans le secteur des explosifs est imputable aux grèves prolongées qui ont paralysé les usines de la Compagnie et de certains de ses principaux clients ainsi qu'à l'augmentation des coûts que n'a pas pu compenser le rajustement des prix de vente. Les bénéfices résultant de la vente de pellicules de polyéthylène ont aussi accusé une baisse en raison de la diminution des prix de vente et de l'augmentation continue des coûts de production.

En 1976, les amortissements s'établissaient à \$25 350 000, soit une diminution de \$1 358 000 par rapport à l'exercice précédent. La Compagnie amortit le coût des valeurs immobilisées selon la méthode linéaire, en se basant sur la durée d'utilisation estimée. Elle procède chaque année à une révision de la durée probable d'utilisation de tous les biens de production, ce qui comprend une appréciation de leur degré d'usure et de désuétude du point de vue technique et commercial. La diminution des amortissements par rapport à 1975 était surtout attribuable à la révision effectuée en 1976, laquelle a permis de prolonger la durée d'utilisation de certaines usines de la Compagnie, notamment des principales installations de fabrication de produits chimiques agricoles à Courtright (Ontario), ainsi qu'à l'absence d'amortissements dans le secteur des munitions pour armes de sport dont les investissements étaient complètement amortis à la fin de 1975. Cette diminution aurait été plus importante n'eût été la première année d'amortissement de l'usine de chlorocalcis de Bécancour (Québec), terminée à la fin de 1975, ainsi que les montants des amortissements effectués pour les installations mises en service au cours de 1976.

Personnel

Les accidents tragiques qui sont survenus en 1975 ont incité la Compagnie à réévaluer en

profondeur son programme de sécurité à tous les niveaux de l'entreprise. Grâce aux contrôles en matière de sécurité, à l'analyse des risques que présentent les installations existantes ou prévues ainsi qu'à l'amélioration des méthodes de formation, la tendance à la baisse du taux de fréquence des accidents, exception faite de 1975, s'est maintenue. Le taux de fréquence des accidents avec suites a été, en 1976, de 1,4 par million d'heures-hommes, un taux qui se situe bien au-dessous de la moyenne de l'ensemble de l'industrie chimique en Amérique du Nord et qui constitue un record qui n'a été surpassé que deux fois dans l'histoire de la Compagnie. De bonnes habi-

tudes de sécurité acquises au travail peuvent influencer considérablement le comportement des salariés hors du travail, et il est très encourageant de constater que le taux de fréquence des blessures survenant en dehors des heures de travail a aussi considérablement diminué au cours de la dernière année.

La Compagnie était en train de négocier de nombreuses conventions collectives lorsque la loi anti-inflation a été promulguée à la fin de 1975. Ceci retarda sensiblement l'adoption des conventions, et la plupart des négociations se sont poursuivies jusqu'en 1976. Des grèves reliées en grande partie au programme anti-inflation ont frappé les usines de Brownburg (Québec) et de Nobel (Ontario); l'usine de Valleyfield (Québec) a elle aussi été affectée par un arrêt de travail.

A la fin de l'exercice, la CIL et ses filiales comptaient 9 034 salariés, soit une augmentation de 1% par rapport à 1975.

Ce salarié de l'usine d'explosifs de la CIL à McMaisterville (Québec) se sert d'un tout nouveau mini-ordinateur pour assurer le contrôle de la production. La Compagnie procède actuellement à l'installation d'une vingtaine de ces mini-ordinateurs destinés à divers usages. Ils transmettront l'information directement des usines et des bureaux régionaux à un nouvel ordinateur bi-processeur puissant situé à Don Mills (Ontario). Le nouveau réseau d'ordinateurs permettra un traitement plus rapide de la vaste quantité d'informations nécessaire à l'exploitation de la Compagnie.



Administrateurs

Au cours de la réunion du conseil d'administration qui a suivi l'assemblée générale annuelle de 1976, M. E. L. Hamilton a été nommé président du conseil d'administration et M. W. J. Mandy, qui occupait auparavant le poste de président-directeur de l'exploitation, a été élu à celui de président-directeur général.

MM. W. B. M. Duncan, C.B.E., et P. G. Harvey mandat en 1977. M. Duncan a été élu au conseil pour la première fois en 1968. Sa vaste expérience dans le domaine de l'industrie chimique internationale, tant en Amérique du Nord qu'à l'étranger, et sa connaissance approfondie des secteurs d'activité de la CIL ont contribué considérablement au progrès de la Compagnie. M. Harvey, qui a été nommé administrateur en 1974, s'est avéré un homme fort précieux pour ses collègues du conseil, surtout dans les domaines technique et commercial de l'industrie chimique, où il a acquis une très grande expérience.

En 1976, les salariés du laboratoire de recherche sur les produits chimiques de la CIL à McMaisterville (Québec) ont remporté leur 8e prix CIL d'affiliée dans le cadre du programme accident zéro, ce qui constitue un record jamais atteint depuis la création du programme. La photo a été prise au laboratoire par un retraité de la Compagnie.





Une usine-pilote servant à régénérer les huiles usées a été mise au point au laboratoire de recherche sur les produits chimiques de la CIL à McMasterville (Québec). Elle peut récupérer 75% des huiles usées qu'elle traite et produire une huile de haute qualité pouvant être utilisée non seulement comme combustible, mais encore comme base pour les lubrifiants.



Exploitation immobilière

La société immobilière Canadian Freehold Properties Ltd., une compagnie associée de la CIL, a connu une bonne année malgré le ralentissement général de la demande dans le domaine des immeubles commerciaux et industriels partout au Canada.

La société a terminé la construction d'un ensemble résidentiel en copropriété à Victoria (Colombie-Britannique), où elle a également conclu un contrat pour la construction d'un hôtel de 127 chambres devant être exploité par Delta Hotels Limited. Son nouvel immeuble à bureaux à Burnaby (Colombie-Britannique) a atteint un taux de location élevé. La zone qui constitue la première phase du Eastgate Business Park près d'Edmonton (Alberta) a été viabilisée, des terrains ont déjà été vendus, et l'on procède actuellement à la construction d'immeubles à bureaux et d'entrepôts. À la fin de 1976, on avait loué tous les locaux du CIL Square de Toronto, ce qui est assez remarquable compte tenu de l'étroitesse du marché.

Freehold Properties Inc., une filiale en toute propriété de Canadian Freehold Properties Ltd. créée aux États-Unis, a fait l'acquisition d'immeubles commerciaux entièrement loués, à Seattle, Los Angeles et Portland (Oregon).

La section des polymères de la division des plastiques de la CIL a déjà adopté le système métrique. La résine de polyéthylène fabriquée à l'usine d'Edmonton est donc conditionnée en sacs de 25 kg et en boîtes de 1 000 kg ou est expédiée en vrac dans des wagons-trémies d'une capacité de 80 tonnes. Les sacs de polyéthylène de 25 kg proviennent de l'usine de pellicules de la Compagnie située à Brampton.



mise en service il y a plusieurs mois, et on l'a encore perfectionnée depuis. D'autres usines-pilotes destinées au traitement des eaux résiduaires des brasseries, des amidonneries et des laiteries ont été vendues, et deux d'entre elles sont déjà en exploitation.

Une autre usine-pilote a été construite à Kingston (Ontario), à proximité du poste de compactage des ordures de Tricil Limited, une compagnie associée de la CIL, et elle fonctionne avec beaucoup de succès depuis plusieurs mois déjà. On procède, dans cette usine, au triage et à la gazéification des déchets solides. Il y a un accroissement de la demande d'usines conçues à partir de ce procédé qui permet de réduire la quantité de déchets solides devant être détruits et de récupérer certaines matières ainsi que l'énergie qu'ils contiennent.

Peintures

En 1976, le marché des peintures s'est un peu remis de la baisse qu'avait accusé ce secteur en 1975. Les ventes de la CIL, y compris celles de sa filiale, Bapco Paint Ltd., se sont accrues dans tous les secteurs du marché, mais plus particulièrement dans le domaine des revêtements pour carrosseries.

Autres produits et services

Plastiques

La demande de résine de polyéthylène au Canada s'est redressée au niveau atteint en 1974. Cependant, l'accroissement de la capacité de production mondiale a plus que contrebalancé l'augmentation de la demande, et les prix de vente n'ont pas suivi la hausse des coûts de production. Le prix du gaz naturel, la principale matière première que la CIL utilise pour fabriquer du polyéthylène, étant monté en flèche, les marges bénéficiaires ont continué de s'affaiblir.

Au cours de l'année, la CIL a mis en service ses nouvelles installations de fabrication de pellicules de polyéthylène par extrusion et coextrusion à son usine de Brampton (Ontario).

Amélioration de l'environnement

Toutes les filiales et compagnies associées de la CIL qui oeuvrent dans ce secteur ont connu une progression de leur chiffre d'affaires en 1976.

Le programme créé en vue d'adapter au contexte nord-américain le procédé de traitement des effluents en puits profond mis au point par ICI a fait de grands pas. L'usine-pilote construite à Paris (Ontario) pour le traitement des eaux usées à partir de ce procédé a été

L'atelier de peinture de carrosserie automobile de l'usine de la CIL à York (Toronto) est très bien outillé et permet de mettre les nouveaux produits à l'essai ainsi que de former les peintres en carrosserie qui utilisent les produits de finition fabriqués par la CIL.

L'usine de la CIL à Brampton vient de mettre en service sa vingtième chaîne de production. Il s'agit d'une nouvelle chaîne de pellicules coextrudées destinées à l'industrie du conditionnement des aliments. Ces pellicules, qui allient étanchéité et solidité, assurent une protection maximale aux produits alimentaires



Du poste d'observation de la tour du CN à Toronto, la plus haute structure auto-stable au monde, des spectateurs peuvent voir la rose des vents qui orne le toit du restaurant de la tour. Cette section, comme plusieurs autres, a été peinte à l'aide de produits CIL destinés aux utilisateurs professionnels et vendus sous étiquette Brandram-Henderson.



Explosifs

Pour l'année 1976, l'accroissement des ventes d'explosifs et d'accessoires de tir a été assez faible en raison des arrêts de travail qui ont sévi dans l'industrie minière chez plusieurs clients importants et de la grève générale qui a paralysé le secteur de la construction au Québec. D'autre part, la CIL a connu un ralentissement de production dû aux grèves qui ont frappé ses usines de Brownsburg et de Valleyfield, au Québec, et de Nobel, en Ontario. Pour maintenir le volume des ventes sur le marché national pendant la durée des grèves, la Compagnie a dû suppléer à une insuffisance des stocks en achetant ailleurs certains produits qu'elle ne pouvait fabriquer, mais les exportations et les ventes de produits destinés aux forces armées ont enregistré un recul.

Une nouvelle usine de bouillies explosives

amorgables par détonateur est présentement en voie de construction à Nobel (Ontario). L'automatisation des procédés de fabrication qui seront utilisés dans cette usine permettra de réduire le nombre de salaires exposés aux risques d'accident. Au cours des quelques prochaines années, la Compagnie a l'intention d'implanter ces nouveaux procédés de fabrication dans ses autres usines d'explosifs. La construction de l'usine de nitrate d'ammonium de Carlsbad (Alberta) sera achevée tel que prévu au début de l'année 1977.

La baisse du chiffre d'affaires de West African Explosives and Chemicals Limited, une filiale qui fabrique des explosifs industriels au Libéria, est en grande partie attribuable au fléchissement de la demande sur les marchés des pays voisins. La CIL continue d'étudier les possibilités de développer cette filiale en diversifiant ses activités.

Les chiffres d'affaires de Continental Explosives Limited et de Ventes d'Explosifs (1970) Limitée, deux filiales qui s'occupent de la distribution d'explosifs et de produits connexes, respectivement en Colombie-Britannique et au Québec, ont peu varié par rapport à 1975;

La CIL exploite une usine d'explosifs à pied d'œuvre à la Baie James où le gigantesque complexe hydroélectrique de la Société d'énergie de la Baie James est en voie de construction. Ce projet, dont l'achèvement est prévu pour 1985, nécessitera l'emploi de 90 000 tonnes d'explosifs. La photographie prise par un représentant technique de la CIL, montre la galerie de service de la centrale souterraine LG 2.

Équipement minier

en effet, les grèves qui ont sévi chez certains clients et le ralentissement qu'a connu le secteur de la construction ont neutralisé l'effet de la hausse des prix. Par ailleurs, les ventes de meches de sûreté, de cordaux détonants et d'autres accessoires de tir fabriqués par Canadian Safety Fuse Company Limited se sont accrues en 1976.

Munitions et armes de sport

Ne répondant plus aux objectifs à long terme de la CIL, le secteur des munitions et des armes de sport a été vendu aux Industries Valcartier Inc., de Courcellette (Québec), le 1^{er} octobre 1976.





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Train-bloc quittant un nouveau centre de distribution d'acide sulfurique construit près de Detroit (Michigan) après avoir transporté 3 600 tonnes d'acide sulfurique provenant de l'usine de la CIL située à Copper Cliff dans le nord de l'Ontario. Le centre de distribution, l'un des trois prévus à Detroit, Cleveland et Chicago, a été érigé en 1976 par C-I-L Chemicals Inc., une filiale de la CIL qui deviendra vraisemblablement l'un des plus importants fournisseurs d'acide sulfurique des industries de la région des Grands Lacs aux États-Unis.

En 1976, la section des produits horticoles de la CIL a lancé des nouveaux produits sur le marché canadien. À la gamme des engrais et des pesticides pour plantes d'intérieur sont venus s'ajouter les "Kleen Leaf", des serviettes en papier destinées au nettoyage des feuilles, et "Restore", un tout nouvel engrais organique microbien et revitaliseur de sol.

Cette usine de blanchiment à l'oxygène, construite pour la société Eddy Forest Industries à Espanola (Ontario), a été conçue par Chemetics International Ltd., une filiale de la CIL. Chemetics commercialise des usines, de l'équipement et des procédés chimiques dans le monde entier.



Le chiffre d'affaires d'Alchem Limited, filiale qui fabrique des produits chimiques spécialisés, a progressé par rapport à l'exercice précédent. Les ventes de ce secteur devraient continuer d'augmenter en raison de l'accroissement du marché des produits servant au traitement des eaux et du lancement de nouveaux produits mis au point pour aider les entreprises à satisfaire aux normes des règlements anti-pollution.

Les ventes de Canadian Hanson Limited à l'industrie de la finition des métaux ont accusé une hausse par rapport à 1975, mais les marges bénéficiaires ont été en général limitées à cause d'une forte concurrence.

Le chiffre d'affaires de Chemetics International Ltd. s'est maintenu au même niveau que l'année dernière, mais le nombre de contrats non exécutés qu'elle avait en main à la fin de 1976 était inférieur. Le chiffre d'affaires de Cornwall Chemicals Limited, une compagnie associée gérée par la CIL, a accusé une hausse sensible sur celui de 1975, mais les bénéfices n'ont pas progressé.



Produits chimiques agricoles

Les ventes de produits chimiques agricoles ont diminué par rapport à 1975; en effet, les revenus résultant de l'augmentation de la capacité de production d'ammoniac n'ont pu compenser la baisse des prix sur les marchés, tant nationaux qu'étrangers. Bien que le fléchissement des prix ait entraîné un accroissement de la demande de phosphates d'ammonium dans le secteur des engrais, les marchés industriels de l'ammoniac se sont resserrés à la suite des difficultés qu'ont connues les industries du textile, des mines et des pâtes et papiers. Le prix du gaz naturel, l'une des matières premières essentielles à la fabrication des engrais, a enregistré une hausse de 55% par rapport à l'année précédente. Le prix des autres matières premières a marqué une progression modérée, à l'exception de celui de la roche phosphatée qui a fléchi sensiblement.

La grande usine de chlorocalcis mise en service au cours du troisième trimestre de 1975 à Bécancour (Québec) a permis à la CIL d'accroître ses ventes de chlore et de soude caustique sur le marché intérieur et de trouver des débouchés intéressants pour ces produits aux États-Unis. Cette usine utilise un procédé de fabrication basé sur l'emploi de cellules à diaphragme qui a donné, jusqu'ici, d'excellents résultats.

Produits chimiques industriels

Les ventes de produits chimiques industriels ont augmenté en 1976, en dépit des longues grèves qui ont paralysé l'industrie des pâtes et papiers et de l'état de stagnation qu'a connu le secteur des engrais, l'un des plus importants consommateurs d'acide sulfurique.

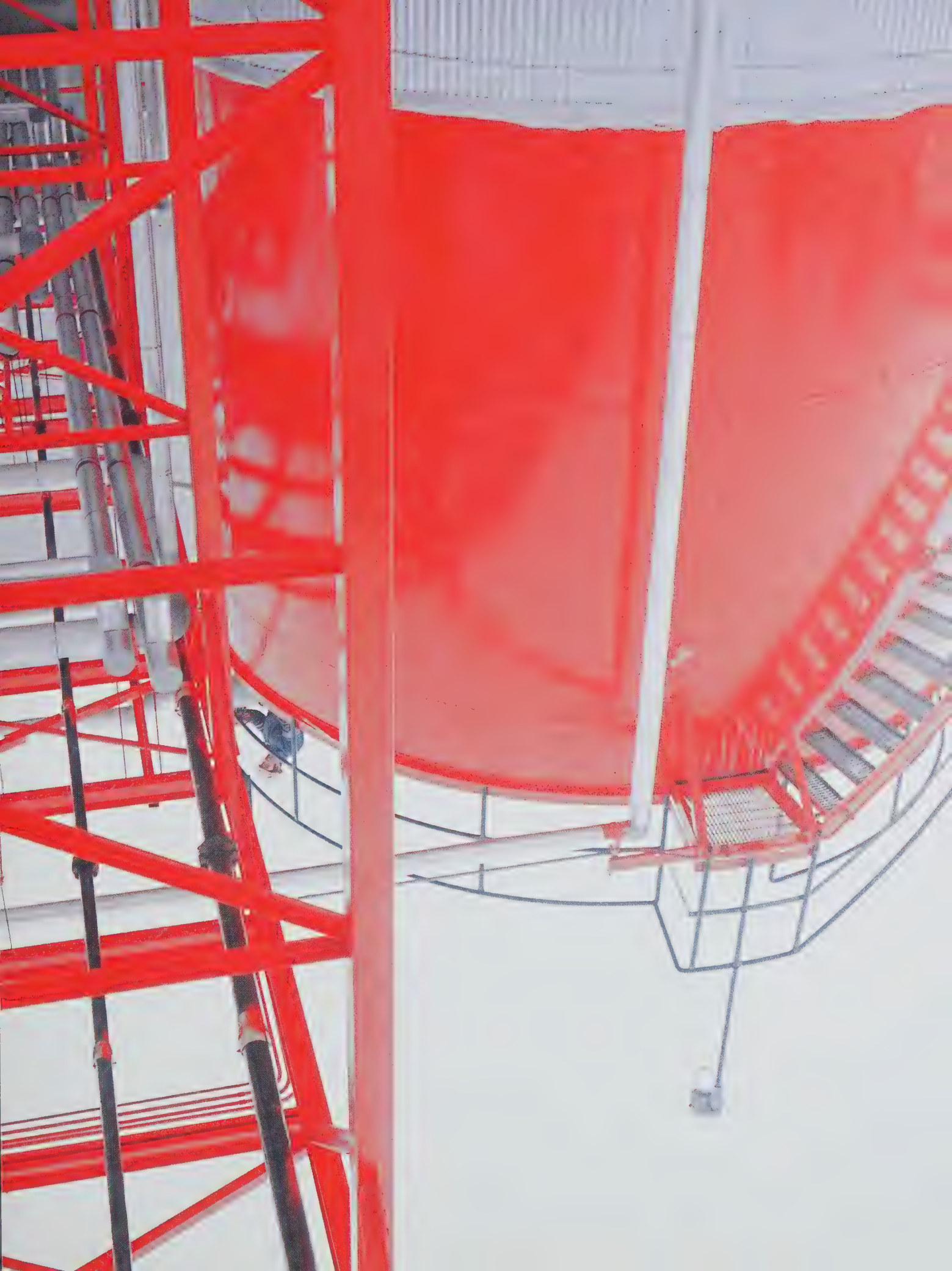
La grande usine de chlorocalcis mise en service au cours du troisième trimestre de 1975 à Bécancour (Québec) a permis à la CIL d'accroître ses ventes de chlore et de soude caustique sur le marché intérieur et de trouver des débouchés intéressants pour ces produits aux États-Unis. Cette usine utilise un procédé de fabrication basé sur l'emploi de cellules à diaphragme qui a donné, jusqu'ici, d'excellents résultats.

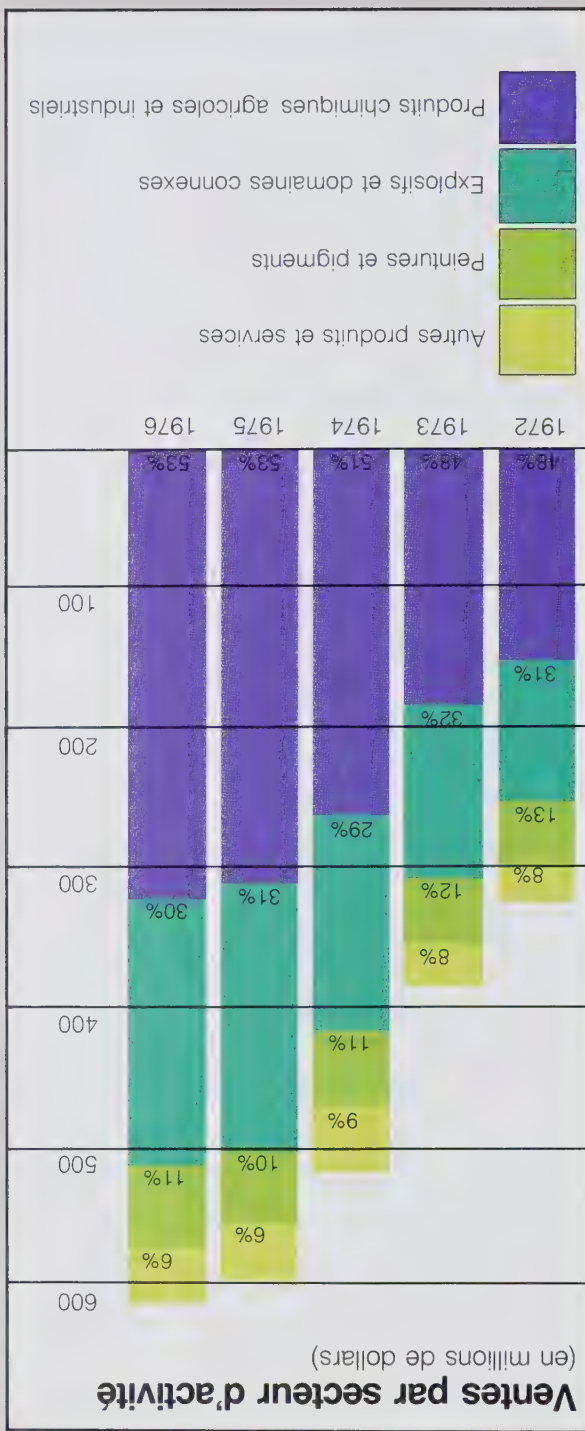
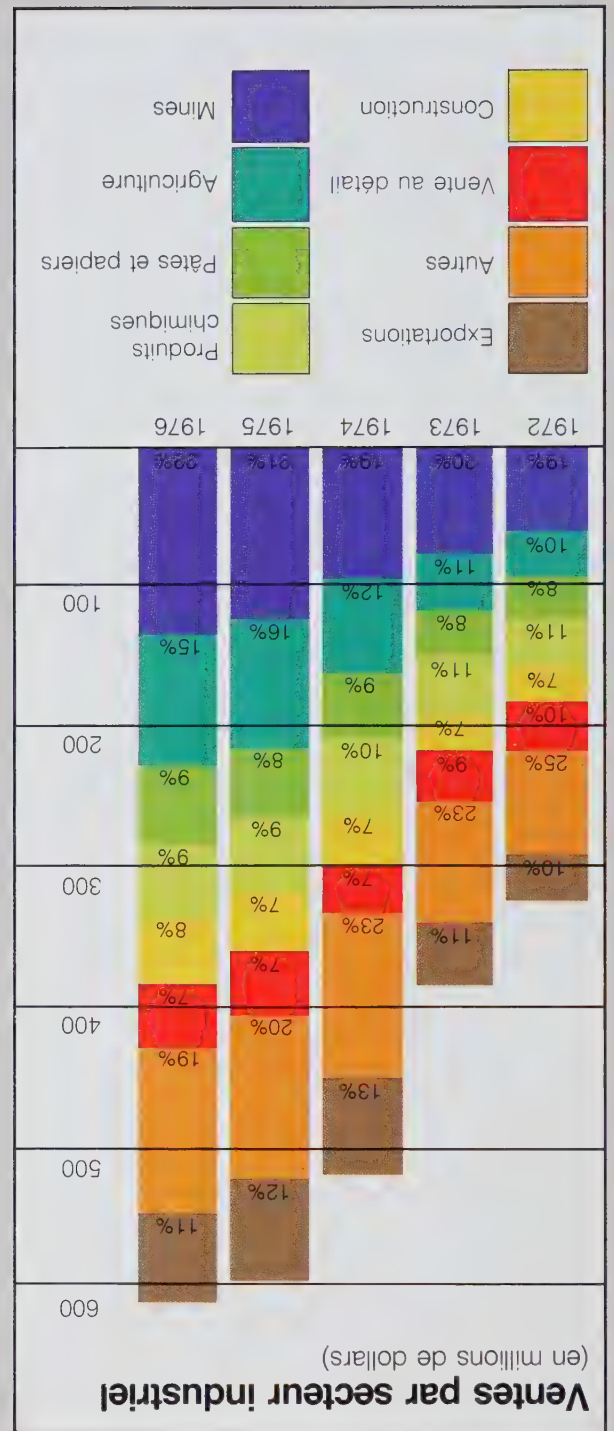
La Compagnie procède actuellement à l'agrandissement de ses dépôts et à l'extension de son réseau de distribution d'acide sulfurique; elle sera ainsi en mesure de récupérer la quantité toujours plus grande d'acides résiduels provenant de l'industrie minière depuis que celle-ci intensifie ses programmes anti-pollution en vue de réduire ses émissions de dioxyde de soufre. Dans le cadre de ce programme d'expansion, C-I-L Chemicals Inc., une filiale américaine appartenant en toute propriété à la CIL, a achevé la construction d'un dépôt d'acide sulfurique près de Detroit (Michigan) et procède actuellement à la construction de nouvelles installations à Cleveland (Ohio). En 1977, des installations de chargement seront aménagées sur la baie Georgienne, près de l'usine de la CIL à Copper Cliff.

Au cours de l'année, la Compagnie a créé une nouvelle division responsable des produits chimiques sous emballage et de la revente de produits chimiques fabriqués par ICI ou par d'autres entreprises, en vue de consolider la place qu'elle occupe dans le domaine de la commercialisation de ces produits. Une nouvelle usine de paraffines chlorées "Cereclor" a été mise en service au début de 1977 à Cornwall (Ontario) et elle s'avère une réussite.

Les ventes d'herbicides et de pesticides de la compagnie Les Produits chimiques Chipman Limited ont été sensiblement inférieures à celles de 1975. Cette baisse est principalement attribuable à la forte importation de produits américains vendus au Canada sans avoir été enregistrés auprès du gouvernement fédéral ainsi qu'à des conditions météorologiques généralement peu propices à l'utilisation des pesticides. Cette compagnie conserve toutefois une organisation solide au niveau technique et commercial; étant donné le rôle de premier plan qu'elle joue dans le développement et la mise en marché des pesticides au Canada, elle devrait connaître un regain de croissance en 1977.

Les nouvelles installations de l'usine de la CIL à Cornwall produiront des paraffines chlorées "Cereclor" destinées au marché canadien et à l'exportation. Ces produits sont surtout utilisés comme plastifiants secondaires des composés vinyliques, comme additifs d'huiles de coupe et de lubrifiants industriels et comme additifs ignifuges des polymères, des caoutchoucs et des textiles.





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Cette tour d'absorption en acier inoxydable de 187 pieds de hauteur, érigée à l'usine de nitrate d'ammonium de Carseland (Alberta), pèse 200 tonnes. Construite en France, elle a été expédiée en deux sections, par mer et par chemin de fer. La nouvelle usine, la plus vaste en son genre au Canada, produira chaque jour 600 tonnes d'acide nitrique qui seront utilisées sur place pour fabriquer du nitrate d'ammonium.



de vente du Québec. La nouvelle usine de chlorocalis de Bécancour, qui mène toutes ses affaires en français, en fournit un très bon exemple.

Peu importe le renouvellement des débats sur le statut politique futur du Québec, la mise en valeur des ressources naturelles de la province sera toujours nécessaire. La Compagnie entend continuer, dans toute la mesure du possible, à jouer un rôle d'importance en ce qui a trait à la fourniture de biens et services permettant de faire valoir les ressources naturelles du Québec, ainsi qu'à contribuer à une économie québécoise forte. Cependant, la conjoncture essentielle à cette mise en valeur reposera sur des décisions et des actions politiques qui restent à prendre.

Les perspectives immédiates indiquent qu'en 1977 encore, le Canada ne devrait connaître qu'une croissance économique modérée. Tous les éléments nécessaires à une forte progression sont en place, mais si le redressement des marchés internationaux n'est pas meilleur que prévu et si les politiques économiques canadiennes n'appuient pas davantage la

7

Montréal, Québec, 24 mars 1977

W. J. Mandy

W. J. Mandy

Le président-directeur général

E. L. Hamilton

E. L. Hamilton

Le président du conseil d'administration

Pour le conseil d'administration

La Compagnie a décuplé ses efforts pour que soient rétablis les excellents résultats qu'elle a obtenus au cours des années en matière de sécurité; elle a procédé, dans tous les secteurs, de la Compagnie, à des contrôles de sécurité, à l'analyse des risques d'accident et à l'amélioration de ses méthodes de formation. Il est très encourageant de constater que le taux de fréquence des accidents avec suites enregistrées par la CIL et ses filiales a été de 50% inférieur à celui de l'année précédente et que ce taux compte parmi les meilleurs qu'elles aient obtenus jusqu'ici.

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E. L. Hamilton (droite)
Président du conseil d'administration
W. J. Mandry
Président-directeur général

2

Pour l'année 1976, le chiffre d'affaires consolidé de la CIL a atteint \$613,9 millions, une augmentation de 3% par rapport à 1975. L'indice général des prix des produits fabriqués par la Compagnie étant demeuré relativement stable au cours de l'année, cette évolution est d'abord attribuable à un accroissement du volume des ventes. Le bénéfice net s'est élevé à \$24,4 millions, soit une diminution de 43% par rapport au bénéfice net de \$42,6 millions réalisé au cours de l'exercice précédent. Le bénéfice net par action ordinaire s'est donc chiffré à \$2,47, ce qui est bien inférieur aux résultats exceptionnels obtenus en 1975. Les prix de vente des engrais, des pesticides et des pellicules de polyéthylène ont subi une baisse assez importante. L'année 1976 a été marquée par une hausse sensible du coût du gaz naturel et des autres matières premières, de la main-d'œuvre et des services; de plus, plusieurs arrêts de travail prolongés ont frappé certaines de nos usines et paralysé les exploitations de bon nombre de nos principaux clients. Les dividendes, limités en vertu de la loi anti-inflation, se sont élevés à \$1,24 par action ordinaire, soit quatre cents de plus par action qu'en 1975. En juillet 1976, la Compagnie a lancé une émission de débentures à fonds d'amortissement de 10½%, d'une valeur nominale de \$50 millions, qui s'est très bien vendue sur le marché canadien.

Les dépenses en immobilisations ont atteint \$62,9 millions pour l'exercice 1976, ce qui porte à \$169,5 millions l'ensemble des nouveaux investissements effectués au cours des trois dernières années. Terminée vers la fin de 1975, l'usine de soude caustique et de chlore de Bécancour (Québec) fonctionne efficacement et son emplacement facilite l'alimentation du vaste marché de l'est du Canada et du nord-est des États-Unis. On songe actuellement à accroître considérablement la capacité de production de cette usine. La mise en exploitation de l'importante usine de nitrated'ammonium de Carleton Place (Ontario), qui approvisionnera le marché des explosifs de l'Ouest canadien et du Nord-Ouest américain, est maintenant commencée.

Conformément à l'une de ses stratégies qui consiste à se retirer des secteurs d'affaires qui, à long terme, ne lui semblent pas avantageux, la Compagnie a vendu, le 1^{er} octobre 1976, son secteur des munitions pour armes de sport, y compris les installations de fabrication, aux Industries Valcartier Inc. Elle a toutefois conservé ses installations de Brownsburg (Québec) servant à la fabrication de détonateurs, et prévoit renforcer sa position dans le domaine des accessoires de tir.

La CIL est le plus grand producteur et fournisseur d'acide sulfurique du Canada. L'extension de son réseau de distribution et d'entreposage, tant dans l'Est canadien qu'aux États-Unis, devrait lui permettre d'écouler le supplément de sa production d'acide sulfurique provenant des gaz de fonderie de l'industrie minière de l'est du Canada, accroissement qui est dû à l'intensification des programmes de lutte contre la pollution.

La CIL effectue d'importants investissements afin d'améliorer ses produits destinés aux marchés des explosifs industriels. De plus, Jarvis Clark Company Limited a terminé son installations de North Bay et de Sudbury (Ontario) de ressources additionnelles en ce qui a trait à la conception, la fabrication et l'entretien de sa vaste gamme d'appareils destinés à l'exploitation minière souterraine.

La CIL est une entreprise industrielle polyvalente solidement implantée dans toutes les provinces du Canada. Le Québec ayant récemment élu un gouvernement dont le principal objectif est la séparation de la province, le moment semble bien choisi pour analyser la position de la Compagnie.

Environ un tiers des immobilisations de la Compagnie se trouvent au Québec, où elle réalise approximativement un cinquième de son chiffre d'affaires. Depuis nombre d'années, la CIL s'est taillée une place prépondérante en faisant du français la langue de travail dans ses usines, ses entrepôts et ses bureaux.

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Montreal, Québec

Alistair M. Campbell

Président du conseil d'administration

Sun Life du Canada

Compagnie d'assurance-vie

Montreal, Québec

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Vice-président

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Montreal, Québec

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Président

Orser DesSerres Ltée

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Vice-président

Imperial Chemical Industries Limited

Londres, Angleterre

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E. J. Goett

Président-directeur général

ICI Amercas Inc.

Wilmington, Delaware, E.-U.

A. G. S. Griffin

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Calgary, Alberta

Domicile: Toronto, Ontario

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Canadian Industries Limited

Montreal, Québec

C. Hampson

Vice-président

Canadian Industries Limited

Montreal, Québec

P. G. Harvey

Président du conseil d'administration

Division Mond

Imperial Chemical Industries Limited

Londres, Angleterre

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Président-directeur général

Canadian Industries Limited

Montreal, Québec

Hon. James Sinclair, C.P.

Président du conseil d'administration

Lafarge Canada Ltd.

Vancouver, Colombie-Britannique

Comité de vérification

Alistair M. Campbell, président

F. S. Burbridge

E. L. Hamilton

Direction

Président du conseil d'administration

E. L. Hamilton

Président-directeur général

W. J. Mandry

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D. M. Coyle

P. R. Day

C. Hampson

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L. A. Wheabie

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M. C. Fitzsimmons

Contrôleur

L. H. Chant

Secrétaire adjoint

A. F. M. Biggs

Trésorier adjoint

C. McLaughlin

Contrôleur adjoint

M. E. Johnson

Registraire et agent de transfert d'actions

et de paiement de dividendes

Compagnie du Trust National Limitée

Montreal, Toronto, Calgary, Vancouver

Inscriptions à la Bourse

Montreal, Toronto, Vancouver

Registraire et agent de transfert de débentures

Compagnie Trust Roy

Montreal, Toronto, Winnipeg, Vancouver

Vérificateurs

Touche Ross & Cie

Points saillants

des états financiers consolidés

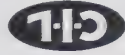
	1976	1975
Ventes	\$613 852 000	\$594 908 000
Bénéfice avant provision pour impôts	48 150 000	85 503 000
Bénéfice net sans les postes extraordinaires	24 363 000	42 638 000
Postes extraordinaires — Gain net	—	3 580 000
Fonds de roulement au 31 décembre	136 000 000	120 554 000
Dépenses en immobilisations (y compris dépenses pour l'acquisition de nouvelles filiales et compagnies associées)	62 876 000	55 354 000
Actions ordinaires en circulation au 31 décembre	9 794 161	9 794 161
Bénéfice par action ordinaire sans les postes extraordinaires	\$2.47	\$4.34
Dividendes par action ordinaire	\$1.24	\$1.20
Nombre d'actionnaires au 31 décembre	4 651	5 007
Actions ordinaires	535	548
Actions privilégiées	—	—

Ventes par secteur d'activité

	1976	1975	53	30	31	11	10	6	6
Produits chimiques	1976	1975	53	30	31	11	10	6	6
Explosifs et domaines connexes	1976	1975	187.3	186.1	65.8	58.7	37.0	37.4	1975
Peintures et pigments	1976	1975	186.1	65.8	58.7	37.0	37.4	1975	1975
Autres produits et services	1976	1975	37.4	1975	1975	1975	1975	1975	1975

Ventes (en millions de dollars)

% des ventes totales



Canadian Industries Limited

Edifice CIL

630 ouest, boulevard Dorchester

Montréal, Québec

H3C 2R3

conçu par BODSON, GAUTHIER & Associés Ltée.

Lithographie au Canada

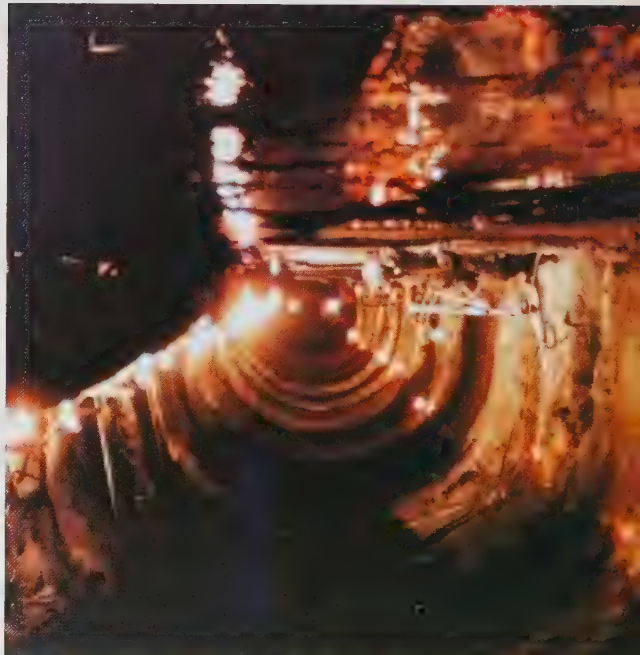
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Dépôt légal — deuxième trimestre 1977

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Canadian Industries Limited





Canadian Industries Limited

Report for the six months ended June 30, 1976

TO THE SHAREHOLDERS

Consolidated sales of Canadian Industries Limited for the quarter ended June 30, 1976 were \$194,657,000, an increase of 9% from the corresponding period a year ago. Net income for the quarter at \$13,940,000, equivalent to \$1.42 a common share, declined 13% from the 1975 level of \$1.64 a share. For the six months, sales were \$326,940,000 compared to \$324,330,000 in 1975. Net income was \$16,553,000, \$1.68 a common share, compared to \$27,115,000 or \$2.76 a common share for the corresponding period last year.

Sales in most business areas continued to exceed those of the first six months of 1975, but earnings of agricultural chemicals, plastics, industrial chemicals and explosives were lower. The most significant decrease in earnings occurred in agricultural chemicals, resulting from sharply lower fertilizer selling prices and reduced volume and lower selling prices of pesticide products, coupled with continuing cost increases. Plastics films encountered severe competition as a result of overcapacity conditions. Higher costs of explosives could not be fully recovered through price increases and this business suffered also from the effect of strikes at both Company and customer locations. The industrial chemicals business began to show signs of recovery late in the period and paint operations were moderately ahead of 1975.

Without a more substantial recovery in the Canadian economy than is now apparent, the reduction in profit that has occurred during the six months will not be recovered during the remainder of the year. The outlook for the balance of the year has been made more uncertain by the limitations on profits that will be imposed by the proposed changes in the Federal Government Anti-Inflation Program.

The Company said \$50,000,000 of 10% sinking fund debentures at par, on July 22, 1976 to mature July 15, 1996. The proceeds of this issue will be used to defray capital expenditures now in progress and to finance working capital requirements.

W. J. Mandry
President and Chief Executive Officer
Montreal, Quebec, July 30, 1976

Consolidated Income Statement

(Dollars in thousands except earnings a common share)
For the period ended June 30

	Three Months Ended			Six Month Ended		
	June 30th		1975	June 30th		1975
(Unaudited)	1976	1975		1976	1975	
SALES	\$194,657	\$178,053		\$326,940	\$324,330	
Income from operations	\$ 25,855	\$ 31,926		\$ 32,054	\$ 53,775	
Income from investments	132	157		364	425	
Share in earnings of associated companies	\$ 25,987	\$ 32,083		\$ 32,418	\$ 54,200	
Long term debt interest, discount and expense	424	439		680	645	
Income before provision for income taxes	(727)	(762)		(1,449)	(1,487)	
Provision for income taxes	\$ 25,684	\$31,760		\$ 31,649	\$ 53,358	
Net income including minority interest	10,821	14,992		13,465	24,886	
Minority shareholders' interest in the net income of subsidiary companies	\$ 14,863	\$ 16,768		\$ 18,184	\$ 28,472	
NET INCOME	923	707		1,631	1,357	
Earnings a common share	\$ 13,940	\$ 16,061		\$ 16,553	\$ 27,115	
(after preferred dividends)	\$ 1.42	\$ 1.64		\$ 1.68	\$ 2.76	

Consolidated Statement of Source and Application of Funds

(Dollars in thousands)
For the six months ended June 30
(Unaudited)

1976 1975*

Source of Funds

Funds from operations		
Net income	\$ 16,553	\$ 27,115
Depreciation and amortization	13,523	13,334
Deferred income taxes	3,480	2,401
Equity in earnings of associated companies in excess of dividends received	(75)	(525)
	\$ 33,481	\$ 42,325

Minority share of net income in subsidiary companies, less dividends

Sale of fixed assets

Redemption of preferred shares of associated companies

	1,401	1,006
	367	410
	—	463
TOTAL	\$ 35,249	\$ 44,204

Application of Funds

Dividends	\$ 5,964	\$ 5,964
Additions to fixed assets	25,742	28,554
Acquisition and disposal of subsidiaries and shares in associated companies — net, less cash acquired	—	1,420
Retirement of long term debt	14	—
Net increase in working capital, excluding cash, marketable securities and bank loans	25,958	14,766
TOTAL	\$ 57,678	\$ 50,704

Reduction in funds for period

Funds on hand less bank loans at start of period	\$ (22,429)	\$ (6,500)
Funds on hand less bank loans June 30	15,339	12,319

	\$ (7,090)	\$ 5,819
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* Restated to exclude Canadian Freehold Properties Limited which is no longer a subsidiary company



Canadian Industries Limited

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Montreal, Quebec, July 30, 1976

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	\$ (7,090)	\$ 5,819

* Restated to exclude Canadian Freehold Properties Limited which is no longer a subsidiary company



File

Canadian Industries Limited

Rapport du semestre clos le 30 juin 1976

AUX ACTIONNAIRES

Les ventes consolidées de la Canadian Industries Limited se chiffrent, pour le trimestre clos le 30 juin 1976, à \$194 657 000, ce qui représente une augmentation de 9% par rapport à cette même période en 1975. Le bénéfice net pour ce trimestre est de \$13 940 000, soit \$1,42 par action ordinaire, alors qu'il était de \$11,64 par action l'année dernière, c'est-à-dire une baisse de 13% comparativement à 1975. D'autre part les ventes pour le semestre s'élèvent à \$325 940 000 par rapport à \$324 330 000 en 1975 et le bénéfice net est de \$16 553 000, soit \$1,68 par action ordinaire, alors qu'il était de \$27 115 000, ou \$2,76 par action ordinaire, au cours de la même période en 1975.

Dans la plupart des secteurs d'activité, les chiffres de vente se sont encore accrus par rapport aux six premiers mois de 1975; par contre, les secteurs des produits chimiques agricoles et industriels, des plastiques et des explosifs ont enregistré des bénéfices moindres. C'est toutefois le secteur des produits chimiques agricoles qui a accusé la plus importante baisse des bénéfices. En effet, les coûts ne cessaient d'augmenter alors que les prix de vente des engrais baissaient considérablement et que le volume des ventes et le prix des pesticides fléchissaient. Par ailleurs, dans le secteur des plastiques, les pellicules ont fait l'objet d'une dure concurrence étant donné que l'offre était supérieure à la demande. Dans le secteur des explosifs, la hausse des coûts n'a pu être totalement compensée par l'augmentation des prix de vente; de plus, ce secteur a souffert des graves qui ont écarté tant dans la Compagnie même que dans les usines de ses clients. Cependant, à la fin du semestre, une certaine reprise s'est fait sentir dans le domaine des produits chimiques industriels et l'activité dans le secteur des peintures était quelque peu meilleure qu'en 1975.

Si l'économie canadienne ne s'améliore pas plus que ne le laissent présager les conditions actuelles, la diminution du bénéfice qui a marqué les six premiers mois ne pourra être compensée d'ici la fin de l'année. Les perspectives pour les six derniers mois sont d'autant plus sombres que le gouvernement fédéral se propose de limiter les bénéfices dans le cadre de son programme anti-inflation.

Le 22 juillet 1976, la Compagnie a vendu, à leur valeur nominale, \$50 000 000 en débentures à 10½% à fonds d'amortissement, venant à échéance le 15 juillet 1996. Le produit de l'émission servira à couvrir les dépenses en immobilisations en cours et à alimenter le fonds de roulement.

Le président-directeur général,

W.J. Mandry

Montréal, Québec, 30 juillet 1976

Etat consolidé du revenu

(En milliers de dollars sauf dans le cas des bénéfices par action ordinaire)

Pour la période close le 30 juin

	Trimestre clos le 30 juin		Semestre clos le 30 juin	
	1976	1975	1976	1975

(non vérifié)	\$194 657	\$178 053	\$326 940	\$324 330
VENTES				
Bénéfice d'exploitation	\$ 25 855	\$ 31 926	\$ 32 054	\$ 53 775
Revenu de placements	132	157	364	425
Quote-part des bénéfices des compagnies associées	\$ 25 987	\$ 32 083	\$ 32 418	\$ 54 200
Intérêt, escompte et frais relatifs à la dette à long terme	(727)	(762)	(1 449)	(1 487)
Bénéfice avant provision pour impôts sur le revenu	\$ 25 684	\$31 760	\$ 31 649	\$ 53 358
Provision pour impôts sur le revenu	10 821	14 992	13 465	24 886
Bénéfice net, y compris la part des actionnaires minoritaires	\$ 14 863	\$ 16 768	\$ 18 184	\$ 28 472
Participation minoritaire dans les bénéfices nets des filiales	923	707	1 631	1 357
BENEFICE NET	\$ 13 940	\$ 16 061	\$ 16 553	\$ 27 115
Bénéfice par action ordinaire (après dividendes sur les actions privilégiées)	\$ 1.42	\$ 1.64	\$ 1.68	\$ 2.76

Etat consolidé de la provenance et de l'affectation des fonds

(En milliers de dollars)

Pour le semestre clos le 30 juin

(non vérifié)

1976

1975*

Provenance des fonds

Fonds provenant de l'exploitation

Bénéfice net

Amortissements

Impôts sur le revenu reportés

Excédent sur les dividendes reçus de la quote-part des bénéfices des compagnies associées

\$ 16 553	\$ 27 115
13 523	13 334
3 480	2 401
(75)	(525)

\$ 33 481

\$ 42 325

Part des actionnaires minoritaires dans les bénéfices nets

des filiales moins les dividendes

Vente d'immobilisations

Rachat d'actions privilégiées de compagnies associées

TOTAL

1 401	1 006
367	410
—	463
\$ 35 249	\$ 44 204

Affectation des fonds

Dividendes

Nouvelles immobilisations

Acquisition et vente de filiales et d'actions de compagnies associées — net, moins l'encaisse acquise

Remboursement sur la dette à long terme

Augmentation nette des fonds de roulement à l'exclusion de l'encaisse, des titres négociables et des emprunts bancaires

TOTAL

\$ 5 964	\$ 5 964
25 742	28 554
—	1 420
14	—

25 958

14 766

Diminution des fonds au cours de la période

Fonds moins les emprunts bancaires au début de la période

Fonds moins les emprunts bancaires au 30 juin

\$ 57 678	\$ 50 704
\$ (22 429)	\$ (6 500)
15 339	12 319
\$ (7 090)	\$ 5 819

* Les résultats de la Canadian Freehold Properties Limited ont été exclus puisque cette société n'est plus une filiale.



Canadian Industries Limited

Preliminary Report 1976

TO THE SHAREHOLDERS:

Consolidated sales of the Company and subsidiaries for the quarter ended December 31, 1976 were \$144,542,000, an increase of 8% from the fourth quarter of 1975. For the full year 1976 sales were \$613,852,000 compared to \$594,908,000 in 1975. Net income for the fourth quarter at \$4,550,000 was equivalent to \$0.46 a common share compared with \$0.72 in 1975. For the year, net income totalled \$24,363,000 or \$2.47 a common share compared to \$4.34 a share in the previous year. There were no extraordinary gains or losses in 1976, while in 1975 net extraordinary gains amounted to \$3,580,000.

Sales of industrial chemicals were higher than in 1975 with the addition of new capacity for the manufacture of caustic soda and chlorine at Becancour, Quebec and settlement of the long strikes in the pulp and paper industry early in 1976. Demand for sulphuric acid was down in some markets, particularly the phosphate fertilizer industry. Sales of mining and construction equipment of Jarvis Clark Co. Ltd. improved and paints sales were higher to all markets, particularly the automotive industry. Sharply lower fertilizer selling prices and declines in both selling prices and volume of pesticides resulted in reduced sales of these product lines.

The major decline in earnings occurred in agricultural chemicals as a result of lower fertilizer selling prices and a sharp increase in the cost of natural gas, the principal raw material for ammonia manufacture. Earnings of the pesticides business declined substantially reflecting the reduction in sales and severe import competition. Explosives profits were also significantly below those of 1975 as a result of extended strikes at Company plants and major customer locations and cost escalations that could not be recovered through selling price increases.

Capital expenditures in 1976 totalled \$63,000,000 an increase of \$7,000,000 over the preceding year. The principal item was the construction of an

ammonium nitrate plant at Carseland, Alberta scheduled for start-up in the first quarter of this year. Expenditures in 1977 are expected to continue at about the 1976 level.

Dividends in respect of the year 1976 totalled \$1.24 a common share, compared to a dividend of \$1.20 a share in respect of 1975.

In the present climate of political and economic uncertainties little improvement in Canada's economy

in 1977 is looked for. However, with the recent additions to manufacturing capacity CIL is in a good position to achieve growth in sales and earnings if better than forecast economic results are achieved.

W. J. MANDRY,
President and Chief Executive Officer

Montreal, Quebec, January 31, 1977

Consolidated Income Statement

(Dollars in Thousands except earnings a common share)

For the period ended December 31, 1976

(Unaudited)

	Three months ended December 31		Year ended December 31	
	1976	1975	1976	1975
Sales	\$144,542	\$134,223	\$613,852	\$594,908
Income from operations	\$ 9,462	\$15,157	\$49,333	\$86,039
Income from investments	1,188	255	2,405	870
	\$10,650	\$15,412	\$51,738	\$86,909
Share in earnings of associated companies	341	476	1,569	1,527
Long term debt interest, discount and expense	(2,002)	(710)	(5,157)	(2,933)
	\$ 8,989	\$15,178	\$48,150	\$85,503
Income before provision for income taxes				
Provision for income taxes	3,615	6,954	20,520	39,515
	\$ 5,374	\$ 8,224	\$ 27,630	\$ 45,988
Net income including minority interest				
Minority shareholders' interest in the net income of subsidiary companies	824	1,153	3,267	3,350
Net income	\$ 4,550	\$ 7,071	\$ 24,363	\$ 42,638
Extraordinary items (net)	—	3,580	—	3,580
Net income after extraordinary items	4,550	10,651	24,363	46,218
Earnings a common share, after preferred dividends				
Before extraordinary items46	.72	2.47	4.34
After extraordinary items46	1.08	2.47	4.70

AR08



Canadian Industries Limited

Rapport préliminaire de 1976

AUX ACTIONNAIRES:

Les ventes consolidées de la Compagnie et de ses filiales pour le trimestre clos le 31 décembre 1976 se chiffrent à \$144 542 000, ce qui constitue une augmentation de 8% par rapport à cette même période en 1975. Leur total pour l'exercice complet de 1976 est de \$613 852 000, alors qu'il était de \$594 908 000 l'année précédente. Le bénéfice net pour le quatrième trimestre, \$4 550 000, représente \$0.46 par action ordinaire comparativement à \$0.72 en 1975. Pour l'exercice, le bénéfice net est de \$24 363 000, soit \$2.47 par action ordinaire, alors qu'il représentait \$4.34 par action ordinaire l'année précédente. Aucun bénéfice ni perte extraordinaire n'a été enregistré en 1976, alors qu'en 1975 les bénéfices extraordinaires nets s'élevaient à \$3 580 000.

Le volume des ventes dans le secteur des produits chimiques industriels est plus élevé qu'en 1975 en raison de la mise en service de nouvelles installations de fabrication de soude caustique et de chlore à Bécancour, au Québec, et du règlement, au début de 1976, des grèves qui ont longtemps affecté l'industrie des pâtes et papiers. La demande d'acide sulfurique a diminué sur certains marchés, particulièrement celui des engrais phosphatés. Les ventes de matériel de construction et d'exploitation minière enregistrées par Jarvis Clark Co. Ltd. se sont accrues et, sur tous les marchés, spécialement celui de l'automobile, les ventes des peintures ont connu une hausse. La chute des prix de vente des engrais ainsi que le fléchissement et des prix et du volume des ventes des pesticides ont entraîné une diminution des ventes de ces gammes de produits.

Le secteur des produits chimiques agricoles a accusé la plus importante baisse des bénéfices vu que les prix de vente des engrais se sont abaissés alors que le prix du gaz naturel, principal composant de l'ammoniaque, grimpait en flèche. Le secteur des pesticides a également enregistré un fléchissement considérable étant donné la diminution des ventes et la dure concurrence provoquée par les pro-

duits importés. Le secteur des explosifs a aussi connu une importante régression des bénéfices par rapport à 1975 en raison des grèves de longue durée qui ont sévi tant dans la Compagnie même que chez ses principaux clients, et des hausses de coûts qui n'ont pu être compensées par des augmentations des prix de vente.

En 1976, les dépenses en immobilisations se chiffrent à \$63 000 000 et excèdent de \$7 000 000 celles de l'année précédente. Le principal poste est relié à la construction d'une usine de nitrate d'ammonium à Carseland, en Alberta, qui est censée être mise en service au cours du premier trimestre de cette année. En 1977, les dépenses devraient se maintenir à un niveau similaire à celui de 1976.

Les dividendes pour 1976 s'élèvent à \$1.24 par

État consolidé du revenu

(en milliers de dollars sauf dans le cas du bénéfice par action ordinaire)

pour la période close le 31 décembre 1976

(non vérifié)

Ventes	Trimestre clos le 31 décembre 1976	1975	Exercice clos le 31 décembre 1976	1975
Bénéfice d'exploitation	\$ 9 462	\$ 15 157	\$ 49 333	\$ 86 039
Revenu de placements	1 188	255	2 405	870
Quote-part des bénéfices des compagnies associées	\$ 10 650	\$ 15 412	\$ 51 738	\$ 86 909
Intérêt, escompte et frais relatifs à la dette à long terme	341	476	1 569	1 527
	(2 002)	(710)	(5 157)	(2 933)
Bénéfice avant provision pour impôts sur le revenu	\$ 8 989	\$ 15 178	\$ 48 150	\$ 85 503
Provision pour impôts sur le revenu	3 615	6 954	20 520	39 515
Bénéfice net, y compris la part des actionnaires minoritaires	\$ 5 374	\$ 8 224	\$ 27 630	\$ 45 988
Participation minoritaire dans les bénéfices nets des filiales	824	1 153	3 267	3 350
Bénéfice net	\$ 4 550	\$ 7 071	\$ 24 363	\$ 42 638
Postes extraordinaires — net	—	3 580	—	3 580
Bénéfice net, y compris les postes extraordinaires	4 550	10 651	24 363	46 218
Bénéfice par action ordinaire après dividendes sur les actions privilégiées				
sans les postes extraordinaires	.46	.72	2.47	4.34
y compris les postes extraordinaires	.46	1.08	2.47	4.70

action ordinaire alors qu'ils se chiffreraient à \$1.20 par action en 1975.

Dans le climat d'incertitudes économiques et politiques qui prévaut actuellement, on ne s'attend pas à ce que l'économie canadienne s'améliore considérablement. Toutefois, la mise en service de nouvelles installations de fabrication place la CIL dans une position avantageuse qui lui permettra d'accroître ses ventes et ses bénéfices si l'économie se porte mieux que prévu.

Le président-directeur général,
W. J. MANDRY

Montréal, Québec, le 31 janvier 1977

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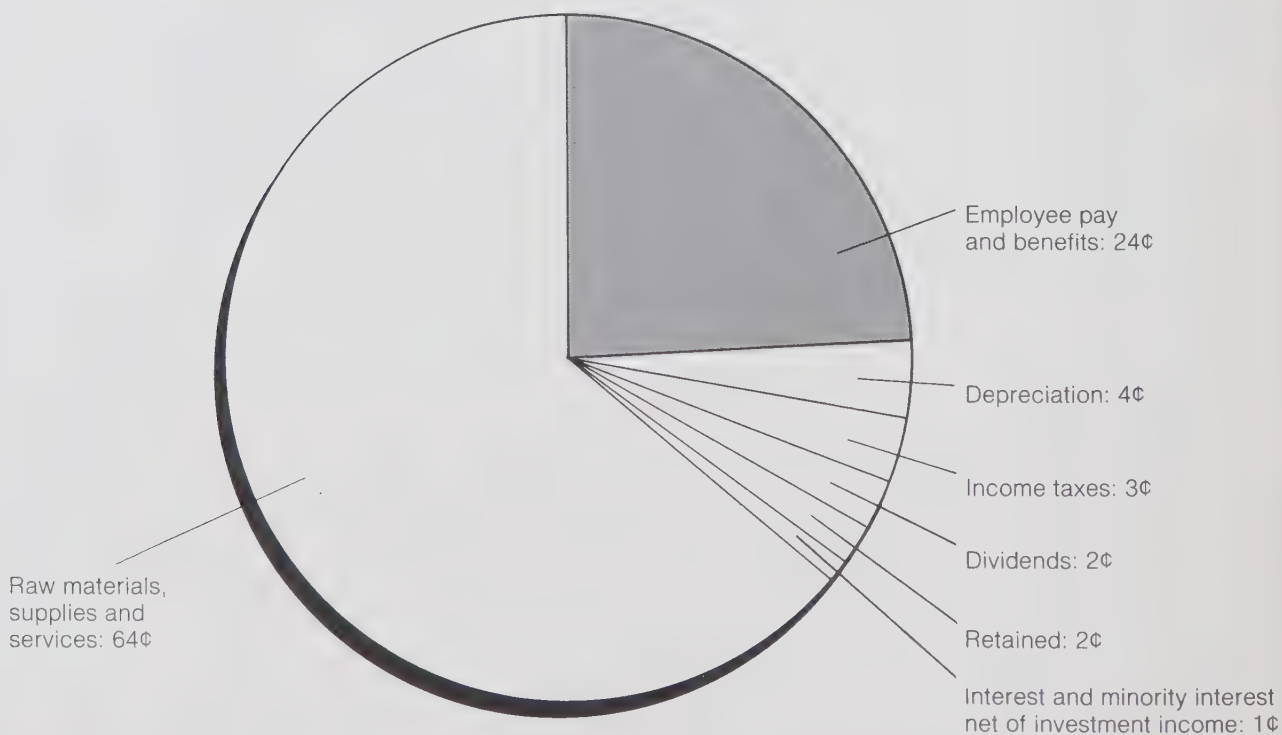


**1976
Report
to
Employees**

Consolidated Financial Highlights

	1976	1975
Sales	\$613,852,000	\$594,908,000
Income before taxes	48,150,000	85,503,000
Net Income before extraordinary items	24,363,000	42,638,000
Extraordinary items — Net gain	—	3,580,000
Working capital at December 31	136,000,000	120,554,000
Capital expenditures (including expenditures for acquiring new subsidiaries and associated companies)	62,876,000	55,354,000
Common shares outstanding at December 31	9,794,161	9,794,161
Earnings per common share before extraordinary items	\$2.47	\$4.34
Dividends per common share	\$1.24	\$1.20
Number of shareholders at December 31		
Common	4,651	5,007
Preferred	535	548

1976 division of the sales dollar



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1976 Report to Employees

Canadian Industries Limited

Montreal, Quebec

April 1977

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This 1976 Report to Employees is dedicated to the more than 9,000 men and women who worked for Canadian Industries Limited, its subsidiaries and associated companies during 1976. Additional copies of this report and CIL's 1976 Annual Report to Shareholders, are available in both English and French on request.

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Graham Dallas, editor

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Enclosed with this Report is your copy of *Profile*, an up-to-date source of useful information about Canada's largest producer of chemicals and allied products, CIL



2. Left: and his executive officer, Bill Menden

To my fellow employees:

1976 was a very demanding year for all of us, one that called for particular care in making decisions and in carrying out the business of the company at all levels. So it is with sincere appreciation that I express the company's thanks to all employees for what was achieved.

As you already know from the preliminary report in *Contact*, sales in 1976 were up 3% from 1975, largely because we sold a greater volume of products. The overall price index was relatively unchanged.

The increase in revenue from sales was not enough to cover the large increases in costs of raw materials, labour and purchased services, and still give us the same level of earnings that we had in 1975. Profits dropped 43% from 1975, a substantial decrease which, however, has to be viewed against the extraordinary results achieved in 1975. It is clear that if employees had not worked so effectively to improve all areas of our operations, results would have been even more disappointing. You can read more about the business conditions that influenced the outcome of our various activities in 1976 in the pages of this special report to you.

We continued building and expanding in 1976, investing about \$63 million and bringing total capital expenditure over the past three years to \$169.5 million. The main expense last year was the completion of Carseland works, already operating at flow sheet levels. Carseland will supply ammonium nitrate for explosives needed in the mining industry in western Canada and nearby parts of the United States.

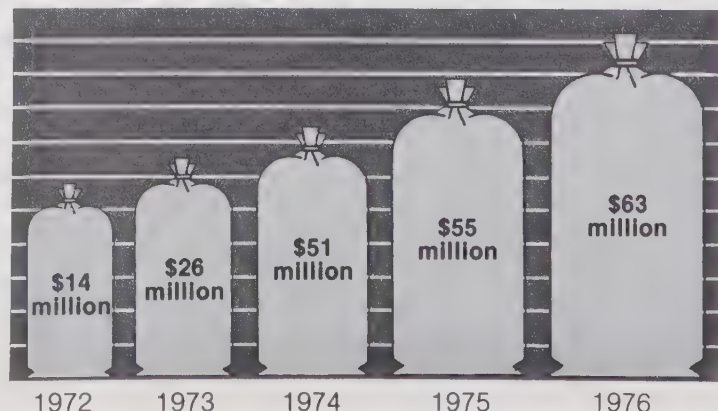
The sporting ammunition business was sold to Valcartier Industries Inc. in October in line with our strategy of getting out of those

businesses which are no longer of long-term interest to the company. We kept our detonator manufacturing facilities, of course, as these are an integral and important part of our explosives accessories business.

One of the conditions of the sale was that the purchaser offer employment to all our employees engaged in the business. Since this offer may lead to transfer to a new location for some employees, re-location and other committees were set up consisting of staff, payroll, government and union representatives to ensure that the transition is carried out with a minimum of disruption for employees.

Negotiations are now underway for the sale of our plant site at Valleyfield, Quebec (de Salaberry) and the facilities for manufacturing defence products. We intend to keep our operations for the manufacture of commercial explosives and will continue to make these products at de Salaberry in the short term, eventually moving them to other sites in Eastern Canada. During our negotiations for the sale we are making sure that our commitments to employees will be respected and that every effort is made to ensure continued employment for our people.

Capital expenditures: including acquisition of subsidiaries and associated companies



The new Bécancour plant, completed in 1975, operated well last year, supplying chloralkali products in eastern Canada and the northeastern United States. We are now considering a major expansion at the Bécancour site.

In matters of safety, I was much encouraged as the year progressed to see the number of disabling injuries drop so that at year end we had about 50% of the number recorded in 1975. The 1976 rate of 1.4 disabling injuries per million exposure hours was the third best in the company's history and well below the average for the chemical industry in North America.

The concentrated effort made through company-wide safety audits, hazards reviews and improved training practices in 1976, undoubtedly contributed to these improved results.

Nevertheless I am still concerned because our objectives were not met for the third year in a row. Although these objectives are demanding, I am confident that if we intensify our efforts we can achieve them and re-establish, and indeed even surpass, our excellent safe working experience of the past.

Perhaps the most significant event of the year affecting CIL and Canadian business in general was the election of a new government in Quebec. This government was elected on a platform stressing good government for the Province. Insofar as it conducts its affairs towards this goal, it will receive the full support and cooperation of this company.

At the same time we cannot lose sight of the fact that the stated goal of the party in power is the separation of Quebec from Canada. The Quebec Government has no mandate to lead the Province out of Confederation, and CIL cannot agree or participate with policies leading to this end.

We believe that the best interests of Quebec and Canada can be served by Quebec remaining within Confederation. We, therefore, cannot support independence for this Province, and we believe no effort must be spared by Canadian citizens and institutions to resist it. We believe that it will not happen because most Canadians, in Quebec and elsewhere, in spite of sectional differences, are dedicated to the preservation of this nation.

CIL has no intention of abandoning Quebec. We intend to maintain and support our installations in the Province and to operate them as long as there is business justification for doing so.

We will make new investment in Quebec if there is opportunity for it and if the government provides the right climate for such investment. If this is not provided, then there is not likely to be new investment in Quebec, either by CIL or by other national corporations. The result would be harmful to the economy of the Province and to the plans of the government for further development and social improvement.

For many years CIL has recognized the need to conduct the affairs of its Quebec locations in the French language. Long before the enactment of Bill 22 we had been working on programs to achieve this. Our publicly-declared policy explicitly states our intention to make French the language of work at all our plants, warehouses and sales offices in the Province and we have made encouraging progress to that end. Today, our chloralkali plant at Bécancour is operated entirely in the French language and this includes technical operating and instructional manuals, many of which we had to translate ourselves, since they were not available anywhere in French. Several members of the present Provincial Government have visited this plant, have seen what is being done there, and have reacted favourably. Pro-

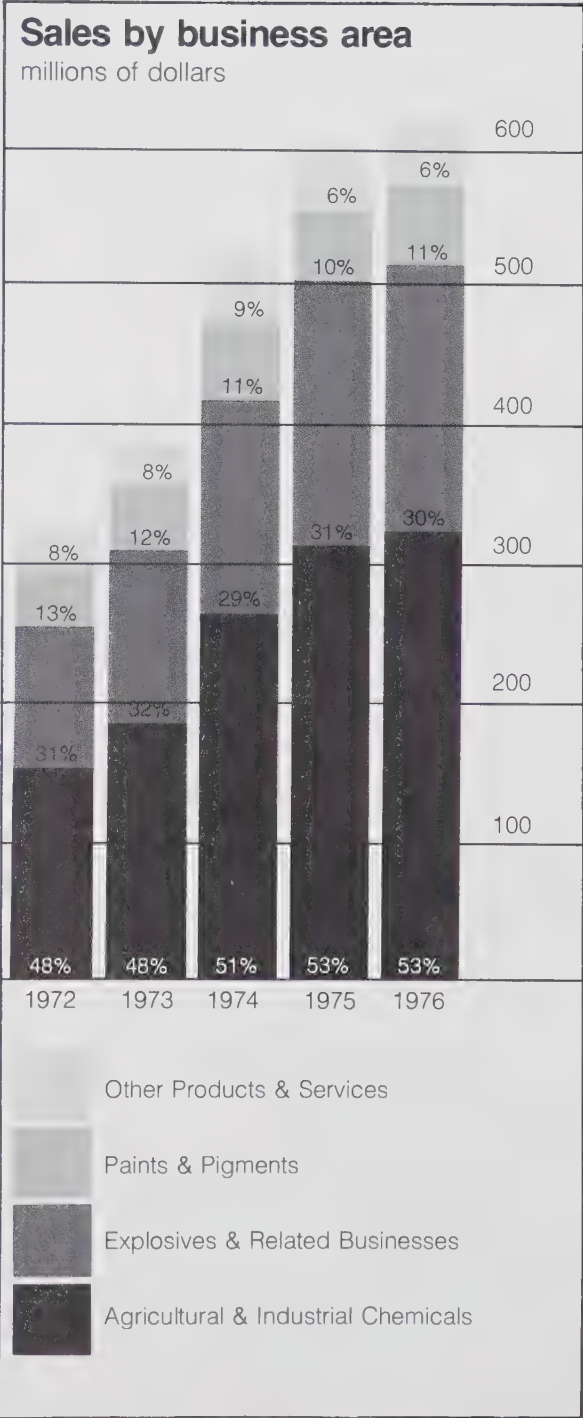
gress toward francization is also being made at our other Quebec locations consistent with local circumstances. We will continue with these programs.

At Head Office in Montreal we have or will have in all our units the capability of communicating in French with our Quebec locations and with the public. However, as a national corporation with business interests in all parts of Canada and many other parts of the world, it is not practicable for us to operate our Head Office in French and we do not intend to do so. If this should become necessary in Quebec, if the climate should become too restrictive, or if recruitment, transfer or movement of employees cannot be accomplished consistent with the needs of our business, then we would not hesitate to move our Head Office elsewhere.

Leaving aside the location of this Office, occasions may again arise when we shall have to move units to other locations for good business reasons. For example, we moved the headquarters of our agricultural chemicals division to London, Ontario, in 1971, and our paints division headquarters to Toronto in 1970. These moves were made to meet requirements of our businesses and for no other reason.

Economically, the outlook in Canada is for another year of only moderate advancement. However, there could be some improvement, particularly with the end of anti-inflation controls in view, and we are cautiously optimistic. CIL is in a good position to take advantage of opportunities when they develop, as we have additional manufacturing capacity now in place or planned for the immediate future.

Certainly in the long term, as a result of our program of continuing expansion, we will play a strong role in providing the products, services, technology and employment needed in Canada in the years ahead. ☛



**"the division had
the third best year in its history"**

*by Bruce Winter,
division manager*



For agricultural chemicals division, 1976 was a year of adjustment and accomplishments, with some disappointments; a year of re-adjusting to the return of a more competitive environment, lower prices and margins.

Despite this change in the marketplace, the division had the third best year in its history, and retained its position as one of the leading individual contributors to company profits. This accomplishment was largely due to the sustained efforts and expertise of its employees, supported by some new investment.

The President's Safety Prize was won by both Beloeil and Ingersoll plants, and the Montreal plant obtained the CIL Safety Award. Recognition was also given to Ingersoll by the Industrial Accident Prevention Association for the greatest improvement in frequency rate for Ingersoll's class association group.

To bring attention to off-the-job safety, all divisional employees joined in teams of four to 15 workers about mid-year. These teams met monthly to discuss hazards and attitudes dealing with off-the-job injuries. At the end of a six month period, 55 of a total of 74 teams recorded no lost-time accidents and a token prize was presented to each member for his achievement.

Looking at the outside influences to our principal market place, Eastern Canada and the northern United States close to our Lambton works, one recognizes that fertilizer materials are a world commodity and particularly influenced by the U.S. price levels and availability of supply.

In 1976 fertilizer material prices in the U.S. were substantially lower than the previous season. Early in the year their inventory levels were greater than normal and although minimal new production came on stream, many in the industry assumed "an over-supply philosophy". These conditions became part of our environment — lower prices and margins, keener competition for both the wholesale and retail share of market.

Within our domestic market, gross farm income in Eastern Canada rose slightly more than 1% in 1976, while farm production costs increased by 6%. The weakest elements of the farm economy were corn, beef, dairy and pork, with prices generally lower than those of 1975; potato prices improved substantially due to exports to drought stricken European countries from the Maritimes.

The major moderating factor on farm input costs in 1976 was fertilizer prices. With a return to ample supply, there was a general softening of prices. This, combined with the decline in net farm income, produced a reluctance by customers to purchase fertilizer for storage. The result was a return to the very competitive market conditions of the early 1970's.

Sales of Chipman Chemicals Limited's herbicide and pesticide products were considerably below the level of 1975. The major factors in this decrease were the substantial imports of U.S. products not registered with the federal government for sale in Canada, and generally poor climatic conditions for pesticide usage. Chipman maintains a strong technical and marketing organization and should experience renewed growth in 1977 as the major pesticide formulator and distributor in Canada.

Consumption of fertilizer increased approximately 10% in Eastern Canada during 1975/76, with Fertilizers Marketing achieving a 12% increase in its sales volume.

Major expansions to storage and shipping facilities were completed during the year at the Essex, Scotland and Kemptville "Agromarts" in Ontario plus St. Pie in Quebec, at our joint-venture "Agromart" at Fingal, Ontario and Hutton Farm Supplies, a wholly-owned subsidiary at Wellburn, Ontario. Two new joint-venture "Agromarts" were approved during the year: Bluewater Agromart Limited at Kincardine, Ontario and Grand River Farm Supply Limited, at Elmira, Ontario. Both locations will be fully operational in 1977, bringing the complement of company-owned, joint-venture and franchised "Agromarts" to 54.

Plans for the construction of two new farm service centers similar to this one in Ontario were approved during 1976. These new "Agromarts" at Kincardine and Elmira will bring the total to 54 when they are completed later this year.



You may recall that last year we built the world's first commercial plant, at Lambton, to manufacture "S.C.U." This product is a urea prill, coated with liquid sulphur and a sealant, and its nitrogen is slowly released in the soil over a long period. The Lawn and Garden Marketing unit completed its first full year of marketing its new lawn and garden line of fertilizers containing this "S.C.U." and obtained a substantial increase in the department's sales and profit over the previous year.

In 1976, the Lawn and Garden unit began selling some of its products in the U.S. market for the first time. A distributor was appointed to market Lawn and Garden's Golfcourse product line in six states. Arrangements were also completed for the marketing of CIL new Sulphur Coated Urea in the U.K. and Europe.

Of the 900 divisional employees, 385 are located at Lambton works, where we have our largest single investment. These employees also had a busy, record breaking year.

They established a new record of shipments to customers by moving 728,000 tons. Also the monthly record was broken by shipping 106,000 tons in April. Principal raw materials used are natural gas, phosphate rock and sulphuric acid, and by year end, Lambton handled 1.4 million tons of raw materials and finished product in and out of the site.

Lambton increased its production capacity for anhydrous ammonia with the commissioning of two, 100 ton a day prefabricated units called "Ammopacs". Utilizing natural gas as a source for hydrogen, the units produce anhydrous ammonia by reacting the hydrogen with nitrogen obtained from the atmosphere. These units bring the plant's production capacity for the essential chemical to 1,300 tons a day.

As well as being used in fertilizers, CIL's ammonia is required for the production of pulp and paper, textiles, explosives, and a broad range of chemical products.

A new plant for treatment of alkylation waste sulphuric acid introduces a completely new process developed by CIL for treatment and recovery of waste-acid by-products generated by the oil refining industry. This unit, scheduled to be on stream in May, 1977, will capitalize on experience gained in operating a pilot plant for the past year. True to Lambton works' principle of integration, the treated acid will be used in the manufacture of phosphoric acid, an intermediate in manufacturing phosphoric fertilizers.

My thanks to employees for the contributions they made to divisional results and for the way they coped with the problems of 1976 and satisfied the requirements of our customers. 🌱🌱

GENERAL CHEMICALS

General chemicals division was formed in April of 1976 to bring added direction and growth to the company's traditional business of supplying a wide range of relatively low volume but highly important bulk and packaged chemical products to a wide variety of industrial consumers across Canada.

The challenge of setting up the new division, planning its activities and developing its business, generated a strong sense of teamwork among employees. Much effort went into this first year and the results indicate that the decision to restructure the company's chemicals business into two separate divisions was well-founded.

Despite generally depressed business conditions, world surpluses and political uncertainty, the division achieved its planned sales and profit targets and improved on the 1975 results in this business area.

Safety performance improved significantly as the year progressed. Safety awareness programs carried out by first line supervision, the introduction of the book "The Company Automobile" and safety audits at the driver level, helped to improve our record. Our technical service force was reorganized to further ensure safe product handling and ability to assist others in emergency procedures, and it initiated a number of safety inspections and lectures on a planned basis at customers' plants.

"the division achieved its planned sales and profit targets"

*by Mel Wilkinson,
division manager*



What about 1977? With our current economic and political problems, most of our market segments project a slow year with some sales declines. We are optimistic, however that new product trials and technological changes will improve the situation in the mining market. The Ontario, polymer additives, coatings chemicals and solvent sectors expect some modest improvement due to the possible sustained increase in automotive sales and its effect on the feeder industries. While some improvement in the textile industry is expected because of the current import restriction on finished goods, the future of this industry does not appear to be bright in the long term.

Our business with energy-related industries and energy conservation products is expected to grow as fuel costs increase. Our urethane foam insulation sales should increase as a result of this situation, as should our sales of chemicals to the uranium industry. In addition, there is potential for chemicals in the developing coal mining industry in the West.

We have a wide portfolio of products, customers and industries and there are a number of innovations and improvements which could help us offset the problem of the economy. The new "Cereclor" plant at Cornwall has now been commissioned and while price levels have not yet reached our expectations, production volumes are expected to be maintained because of business from the world-wide contacts of ICI. Other plant improvements are planned which should affect our performance in 1977. These concern the bagging operation and reduced dust content of dry caustic soda, debottlenecking in the liquid xanthate plant at Copper Cliff and improved continuous filling methods at Cornwall.

Newly completed manufacturing facilities at Cornwall works will produce "Cereclor" chlorinated paraffins for customers in Canada and for export. These products are mainly used as secondary plasticizers in vinyl compositions, as extreme pressure additives in gear oils and metal working lubricants, and as fire retardant additives in plastics, rubbers and textiles.



During 1977 we will maintain an aggressive marketing effort to achieve a challenging sales and profit plan. We have introduced a coordinated program of cost analysis and control designed to improve the effectiveness and productivity of our operations. Also, for division personnel, we will be maintaining a high level of commitment to our safety training programs, as well as to staff development and on-the-job training.

Indications are that 1977 will be a difficult year for the economy but the division is in good shape to maintain a strong position in the marketplace and to achieve our profit targets. And by so doing we will continue to grow in the challenging occupation of "serving Canadians through chemistry".

An inside look at the division

Did you know that the products sold by general chemicals division, both manufactured and resale, number more than 800? That the division's 4,000 customers can be classified by about 30 distinct industrial groups?

While the division serves resource industries such as mining and metal refining, iron and steel, pulp and paper and metal fabricating as well as chemical manufacturing, an important portion of sales are made to industries that have a direct relationship to the public. For example, a major part of the division's business is the supply of packaged chlorine to make water safe to use in the home and for safe disposal of municipal waste.

The division sets high standards of customer service and technical quality of products. Sales personnel working directly in the field number 55. They are backed up by the technical service section which helps develop new products, handles complaints and

emergencies, and makes regular presentations on the safe use and handling of CIL chemicals in customers plants. The resources of Chemicals Research Laboratory and Dyestuffs and Urethanes sections own labs as well as the distribution department personnel in warehouses across the country also aid the division's overall team effort.

Plants are regularly involved in upgrading product quality, packaging suitability and innovative transportation techniques. The division has pioneered new concepts such as the Chlorinemobile (for delivering heavy ton containers easily to customers' operations), the scheduled chlorine delivery service to ensure regular chlorine supplies for pools and municipalities in the peak summer months and kraft bin containers that provide a strong, safe package for hazardous solid chemicals. It has also introduced effective package systems for spraying urethanes, launched the new reactive dyestuffs, and introduced other chemicals to Canada for the first time.

These chemicals, though hidden, affect our standard of living and our daily lives in many ways. Chances are that from the moment you open your eyes in the morning, you are looking at colors resulting from pigments and dyestuffs supplied by CIL: in sheets, pyjamas, clothes, carpets, drapes and painted walls. The water for your morning shower and coffee could have been purified and other meals of the day prepared and preserved by products sold by general chemicals division, kept in a refrigerator running on CIL ammonia at the packing plant and another, in your home, using "Arcton".

General Chemicals (Cont'd)

Urethanes customer CC Isolation Enrg. of Varenns, Quebec applies a finishing fire resistant coating to a corrugated steel wall which has been insulated with blown-on CIL urethane.

This specially-equipped CIL Chlorinemobile delivers one ton containers of chlorine to Montreal's water works where it is used to purify the city's water.

Sophisticated inventory control and safe handling at warehouses across the country are the key to keeping the division's 4,000 customers supplied with products.

Your gloves and shoes could have been made with the help of CIL leather processing chemicals; and your automobile's plastic seats and other parts could contain CIL polymer additives. Even the color of your car could have been supplied to the manufacturer of its finish. And so the list goes on — everything from bicarbonate for cookies to disinfectants for swimming pools to solvents for drycleaning clothes, is sold by CIL's general chemicals division.

Because of this consumer involvement, the division is heavily marketing oriented. Providing such a wide range of products to so many consumers makes the division the largest chemicals supplier of this kind in Canada.

At Cornwall, with the consolidated packaging plant (Conpak) general chemicals division has a unique world operation, packaging some 30 hazardous products on one site. From here it supplies packaged quantities of bulk products such as chlorine, ammonia, and sulphur dioxide gases; acids and caustic soda. In addition it manufactures copper sulphate and xanthates, key chemicals used by the mining industry for extracting base metals.

Resale chemicals handled by the division are supplied by chemical producers around the world. The division maintains a close contact with CIL's parent company, ICI in England. It is their major selling arm in Canada and handles a great variety of organic and inorganic chemicals manufactured in plants in the United Kingdom. ☛



INDUSTRIAL CHEMICALS

Although business activity was not as strong as anticipated for 1976 due mainly to slower growth in most sections of the North American economy, and the pulp and paper strike which was not settled until February, 1977, sales were 18% higher than in 1975 reflecting mainly increased demand for caustic soda and chlorine as well as somewhat higher prices for most products. Sales of sulphuric acid to the fertilizer industry, however, which is the major consumer of acid, were relatively static in 1976 due to weak fertilizer markets.

While business conditions were not as buoyant as we had hoped, in many ways 1976 was an extremely gratifying year. The number of disabling injuries on-the-job dropped by a third and off-the-job accidents also showed an encouraging trend. With a concerted effort by all, experience in 1977 can be even more favourable.

During the year the packaged chemicals business was set up as a separate division in order to strengthen the company's position in marketing these products; the additional work involved in restructuring the management information systems has been largely completed and the new systems are working well.

**"in many ways 1976 was
an extremely gratifying year"**

*by Vance Ward,
division manager*



In chlorine and caustic soda, we are not the largest supplier nationwide but we are now the largest supplier to the markets east of Toronto. Our large new plant at Bécancour, on the St. Lawrence between Montreal and Quebec, is now in successful operation and we are considering an expansion which would double its size. We will create growth situations by broadening the area of distribution, including adjacent areas of the U.S. where, based on our favourable power costs, we can deliver competitively against more distant U.S. producers. The division has begun a major expansion of its sulphuric acid storage and distribution facilities to handle the large increase in the quantities of acid which will result from intensified anti-pollution programs by the mining industry to reduce sulphur dioxide emissions. As part of this expansion program, an acid depot has been completed near Detroit, Michigan, by C-I-L Chemicals, Inc., a wholly owned U.S. subsidiary company, and a second terminal is being constructed by that company at Cleveland, Ohio. A shipping terminal will be constructed in 1977 on Georgian Bay, near CIL's Copper Cliff plant.

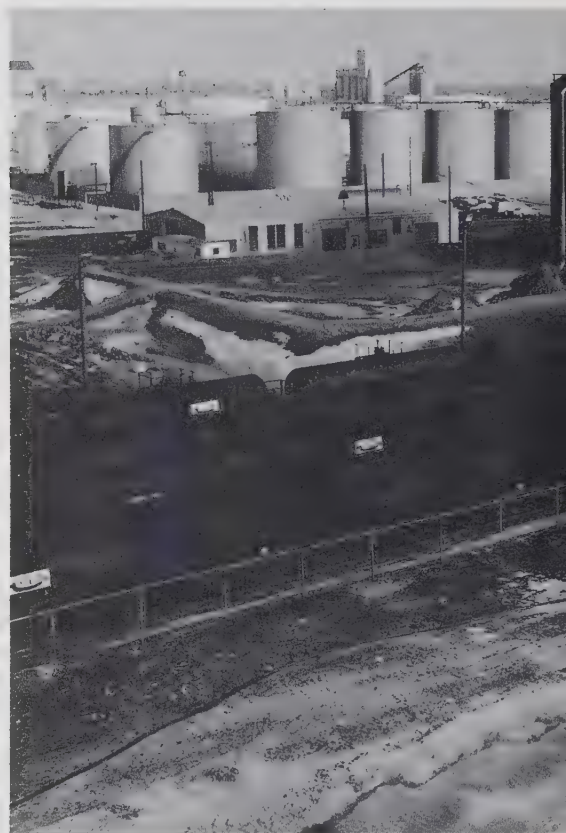
Despite the slow rate of growth forecast in domestic markets, sales in 1977 are expected to be well ahead of 1976. No major work stoppages at our customer's plants are anticipated this year and this, coupled with new business gained during the last half of 1976 and some expansion in U.S. sales, are the major contributing factors. However, to reach our goals for 1977 will require imagination, hard work and improved productivity by everyone in the division.

I would like to take this opportunity to thank all employees for the fine job done during the year despite the problems associated with the re-organization, the anti-inflation program, and the weakness in markets for industrial chemicals.

Sales of specialty chemicals by CIL's subsidiary, Alchem Limited, were higher than those of the previous year. An increase in water treatment requirements and the introduction of new products to help industry meet environmental standards should lead to continued growth for this business.

While sales of metal finishing supplies by Canadian Hanson Limited increased over 1975, profit margins for most products were under strong competitive pressures.

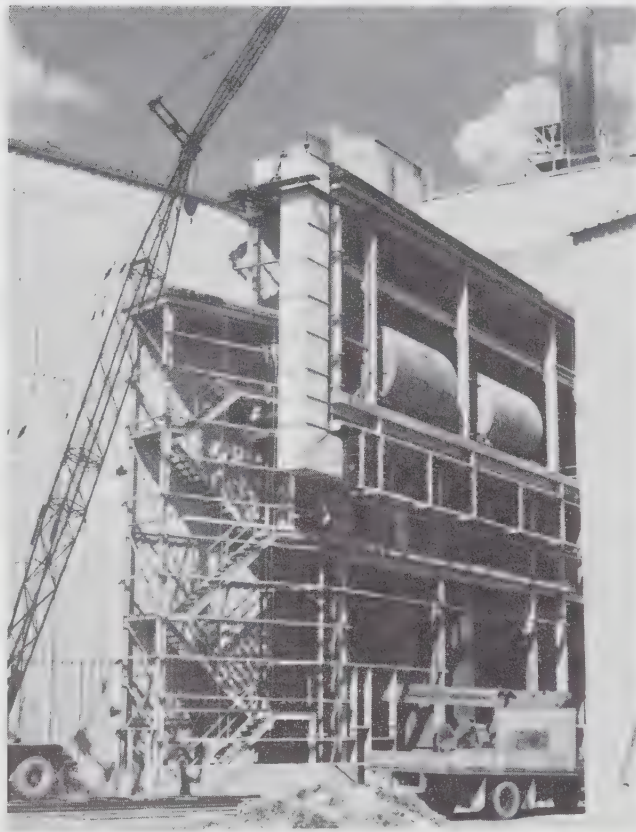
Sales of Chemetics International Ltd. were at the same level as the previous year, but the backlog of contracts on hand at the year end was lower. Sales of Cornwall Chemicals Limited, an associated company managed by CIL, were substantially higher than in 1975, but profits remained at the same level.



Yugoslav salt miners joined with 4,000 other spectators at the start-up ceremonies for a \$40 million chemical complex in Tuzla, Yugoslavia in late November. Under an \$18 million contract, Chemetics International Ltd. was responsible for the design and engineering of the five chemical plants (HAK I) for the state-owned company, Soda-So.

At a new acid distribution terminal near Detroit, Michigan, this unit train delivered 3,600 tons of sulphuric acid from Copper Cliff works in northern Ontario. One of three planned for Detroit, Cleveland and Chicago, the terminal was established in 1976 by C-I-L Chemicals, Inc., a CIL subsidiary expected to become a major supplier of sulphuric acid to industry in the Great Lakes area of the United States.

An oxygen bleaching plant under construction for Eddy Forest Industries at Espanola, Ontario, is a project of CIL's subsidiary, Chemetics International Ltd. Chemetics markets chemical plants, equipment and processes worldwide.



CIL has an on-site explosives plant at James Bay where the huge hydro-electric power project of the Société d'énergie de la Baie James is under construction. Scheduled for completion in 1985, this project will require 90,000 tons of explosives. The accompanying photo, taken by a CIL service representative, shows the powerhouse service tunnel which forms part of the LG2 underground complex.



EXPLOSIVES

**"1976 was definitely a year
of achievement for explosives"**

*by Jim McGill,
division manager*



Although financial results were somewhat disappointing, 1976 was definitely a year of achievement for explosives division, a year of expansion and growth in manufacturing capacity and in our ability to serve the market in the future.

Our new \$50 million ammonium nitrate plant at Carseland was brought into commercial operation in March, 1977 and is now shipping product. Ammonium nitrate is a key raw material in the manufacture of explosives for the mining and construction industries, and this plant was designed with capacity to serve the market in Western Canada until the late 1980's. Spare capacity in the early years will be sold in the United States, thus full advantage can be taken of the major economies of scale offered by a 250,000 ton/year plant.

The year also saw the completion of plans for a new \$6.9 million cap-sensitive slurry plant at Nobel, and construction is now beginning. This plant represents another step in expanding our operations to include the manufacture of the new generation of cap-sensitive slurries. These products are safer to manufacture than the conventional nitroglycerine explosives and they are technically superior in many ways.

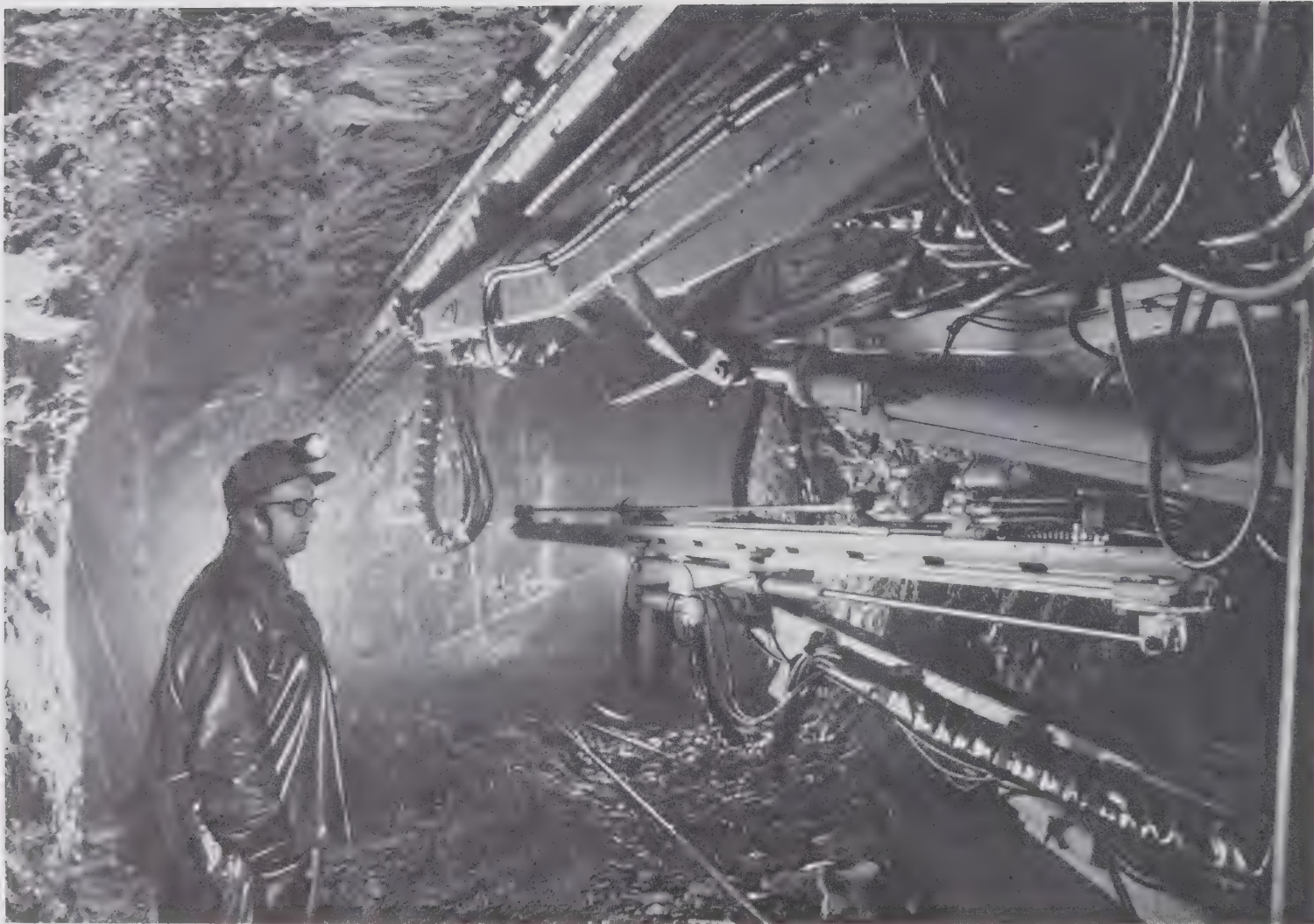
The division had suffered a disastrous year in 1975 in terms of employee safety, and efforts were intensified throughout our operations to improve our safety performance in 1976. During 1976, safety audits were completed at all major works except Valleyfield and Mount Wright. In addition, rigorous hazard and operability reviews are being performed on all new processes and equipment. It is intended to extend these reviews to existing processes.

Work stoppages at operations of a number of major customers in the mining industry and a general strike in the Quebec construction industry affected our sales of explosives. Also, strikes at three of our own plants, Brownsburg, Valleyfield and Nobel, curtailed production. By making purchases to supplement our production we were able to retain our position in the domestic market. However, we lost sales in the export market through inability to supply, mainly in the United States market for TNT.

Manufacture of propellants and military high explosives at DeSalaberry works will cease in 1977, upon completion of the present orders. Negotiations are underway with a Canadian company for the sale of the Valleyfield site, excluding TNT, primers and slurry equipment which will be relocated. The company will ensure that its commitments to employees will be respected during these negotiations.

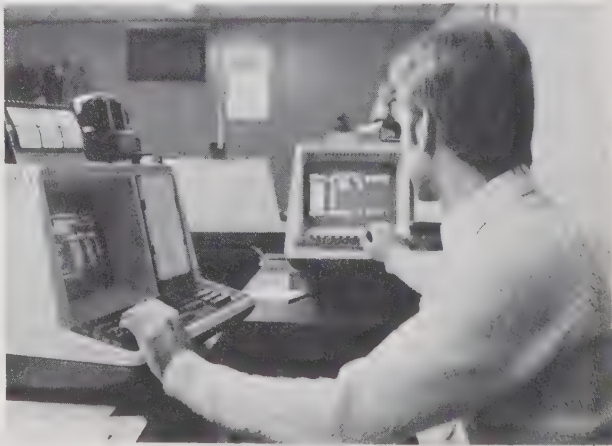
Sales of Continental Explosives Limited and Explosives Sales (1970) Limited, subsidiary companies engaged in the distribution of explosives and related products in British Columbia and Quebec respectively, were almost the same as in 1975 as customer labor problems and the depressed construction climate offset price increases.

Sales of equipment to the mining and construction industries by Jarvis Clark Company Limited were substantially higher than those in 1975, reflecting the steady growth of this subsidiary in North Bay, Ontario. The facilities at North Bay have been enlarged and an expansion of the Sudbury, Ontario repair facilities is underway in anticipation of the continued demand for its specialized mechanical equipment.



Down at level seven of Rio Algom's Quirk uranium mine in Elliott Lake, Ontario, this jumbo drill, made by CIL subsidiary Jarvis Clark Company Limited of North Bay, recently completed 200,000 feet of drilling. Bore holes are loaded with CIL ammonium nitrate explosive to break up the ore.

CIL employee at Beloeil works uses a new minicomputer for production control. The "mini" is one of about 20 being installed for various purposes at company locations. They will feed information directly from plants and regional offices to a large dual processor computer centrally located at Don Mills, Ontario. The new computer network will provide faster turnaround of the vast amount of information required to operate the company.



Jarvis Clark won the Ontario Government's "A" for Achievement award in 1976 for its contribution to the economy, particularly in the field of exports. President John Clark, in accepting the award, said that the most significant achievement they had been able to make in establishing the company as a manufacturer, was the development of people into a team that has made them competitive with the giants in industry.

Although sales and profit in 1976 declined for the first time in West African Explosives & Chemicals Limited's history, the year's results were essentially on plan and can be considered quite good when all the factors are taken into account. Iron ore markets throughout the world declined considerably from the previous year and mining activity slowed as stockpiles grew. The state-owned explosives company in Mauritania began production in late 1975 and displaced all sales of West African Explosives & Chemicals Limited's manufactured products. However, the Ivory Coast market was penetrated for the first time in 1976, sales to the bauxite mines in Guinea remained constant and some sales of raw materials were made in Mauritania.

Safety was completely reviewed in 1975 and a safety audit team from CIL re-examined EXCHEM again in 1976. EXCHEM completed 900 accident-free days in 1976 and this achievement is due to the positive attitude of all the staff in Liberia. The search for new stimulus in promoting safety and for improving safety practices will continue.

EXCHEM's future is quite promising. While the short term will probably see only modest growth, the longer term offers good potential. Considerable activity is now taking place

on the possible development of three new iron ore deposits, one in Liberia, one in Guinea and one in the Ivory Coast. Any one of them could double EXCHEM's present explosives volume. 🗨️

Ammunition division in wind-up phase

The division's ammunition business was sold to Valcartier Industries Inc. of Courcellette, Quebec, in October of 1976. The sale included all of the ammunition equipment at Brownsburg, process information, patents, licenses, and goodwill. CIL has undertaken to operate the Brownsburg ammunition facilities as Valcartier's agent until such time as the equipment can be moved and installed in Valcartier's plant.

Valcartier has agreed to offer employment at its plant to all Brownsburg employees identified with the ammunition operation. For those employees who choose not to accept Valcartier's offer, efforts will be made to locate them elsewhere in CIL. Where this is not possible, they will be provided with assistance in finding suitable employment elsewhere, including allowances determined on the basis of age and length of service. Relocation committees consisting of staff, payroll, government, and union representatives are presently active in providing this assistance.

CIL will retain the manufacturing facilities for explosives detonators which are also made at Brownsburg, as well as other products related to the company's commercial explosives business. 🗨️

**"a year of modest recovery
for the Canadian paint industry"**

*by Dave Burnham,
division manager*



1976 was a year of modest recovery for the Canadian paint industry and CIL paints division. The previous year had been somewhat disappointing, marked by sharply higher material costs and selling prices and a slight decline in volume in most segments of the market. 1976 produced increased dollar and gallon sales and market share for paints division in most segments. The moderation in raw material price increases, following the sharp climb in 1974, continued from 1975 into 1976 and held in check the need for major price increases. In fact, the increases which were obtained, in an atmosphere of aggressive competitive activity, were less than what could be justified to the Anti-Inflation Board on the basis of increased manufacturing costs.

Safety activities showed a major improvement with disabling injuries reduced from 2 to 1, car accidents reduced from 20 to 14, preventable car accidents reduced from 11 to 6 and days lost due to off-the-job injuries reduced from 954 to 500. The health and safety of our employees continue to be of utmost important to us, and it is likely that our goals will continue to exceed standards which may be established periodically by changes in government legislation. A new program was introduced by the company in 1976 which requires the analysis of all changes in operating procedures to determine if any special hazards might be encountered and to correct them before the changes are introduced.

A major study of the division's marketing and manufacturing procedures was completed in 1976. In line with the results of that study, a second B-H Professional Painters Centre was opened in Mississauga, Ontario, the first one having been opened in Scarborough, Ontario, in 1975. Two Retail

Decorating Centers were opened in London and St. Catharines, and plans are underway for opening five more early in 1977. This program will assume significant proportions over the next five years, if early favorable indications are borne out by this year's experience. The Decorating Centers cater specifically to the do-it-yourself market and feature a strong service/advice concept so important in this segment of the market.

The Decorative Products section continued to increase distribution with new independent retail accounts and trade wholesalers. Sales to our major retail customers continued to show increases. Sales of heavy duty paints for use at the CIL Carseland ammonium nitrate plant and other chemical plant projects, particularly in the Sarnia area, were important contributors to the sales results. A new mid-priced paint line and a promotional product package were introduced during the year. Also, development work was completed for a new line of interior flat latex paint, "Super latex", for introduction early in 1977.

With the addition of eight wallcovering collections and their warehousing at five locations across the country, the division is well placed to become a major factor in this rapidly expanding sector of the decorative products market.

The completely equipped automotive body painting shop at York works in Toronto, is used to test new products and train operators from customers' shops where CIL refinish products are sold.



The study of the division's marketing activities resulted also in a reorganization of the Automotive Refinish group, involving an expansion of the sales force and introduction of a program to strengthen and improve marketing activities. Approval was received to open two company-owned Refinish Specialist Jobbers in Toronto early in 1977 to serve a segment of the market in which CIL had not been adequately represented. Research continues to improve the high quality of the only refinish paint formulated specifically to meet Canadian needs.

The van and light truck markets continue to expand, with CIL the major supplier to both Chrysler and General Motors for these vehicles. With this growth and CIL's continuing position as a major supplier of finishes for Chrysler passenger cars, the Automotive group once again provided the biggest year-to-year improvement in 1976.

Although there has been a slow-down in many segments of the general industrial sector, this group also showed an increase in gallon and dollar sales, particularly in the coil coating and can lining markets.

CIL paints division is in the forefront in world technology for waterborne paints for industrial applications. Their use will reduce the emission of pollutants into the atmosphere and also reduce the consumption of petroleum-based raw materials which will be in short supply in years to come. Licensing arrangements have been reached and will continue to be pursued with paint manufacturers in other countries, particularly the United States and Japan, to permit the use of our technology in other countries.

A number of projects were begun at York works which will improve and modernize the methods used in the manufacture of paint for the industrial market. These improved efficiencies, along with improvements at other plants, will permit manufacture of increased production requirements which are expected in the years to come.

The future looks bright for paints division. We can see where we want to go and how to get there, and we are ready to work hard to achieve our goals. 🏆

PLASTICS

One of CIL's smaller business areas, plastics division often escapes the publicity associated with the massive sales volumes and multiple plant operations of the company's larger divisions. Nevertheless, plastics has been quietly and steadily going ahead with the business of generating profits and for the past three years, including 1976, it has been one of the top contributors to profits.

This division has two operations groups: Polymers, responsible for the manufacture and sale of plastics raw materials, and Films, which makes and sells films and certain types of packages. Both groups are involved primarily with low density polyethylene (LPDE) but apart from this similarity, all other activities are different.

The Polymers group sells a basic chemical product to other manufacturers who convert it into finished articles such as packages for milk and fresh vegetables, parts of telephone trunk cables, refrigerator containers and a host of other industrial and consumer products. As a raw material supplier, Polymers sells large volumes to a small number of customers and does it profitably with a small sales and marketing force.

The polyethylene plant at Edmonton started up in 1953 and was a novel plant from two aspects—it was the first cold weather plant of its type in the world and one of the first in North America. These factors incurred for CIL substantial operating costs during the plant's early years as a large technical team had to be developed to cope with production conditions at Edmonton and to make a range of products which was fully competitive in a North American market. By the mid-1960's CIL had developed the necessary knowhow to make technically competitive products and the plant production has been fully sold and operations have been profitable ever since.

"going ahead with the business of generating profits"

*by Geoff Benson,
division manager*



For the past ten years efforts have been concentrated on making and selling premium products with the result that profits have been generated, even in the difficult years of 1971, 1975 and 1976. Customers include some of the largest plastics companies in Canada, such as the major wire and cable manufacturers and the big package makers.

For Polymers, product improvement continues. Specialty high performance resins for polyethylene film are obtaining rapid and broadening market acceptance. For wire and cable manufacturers, equipment for making cross linkable polyethylene (XLPE) is being installed at Edmonton. XLPE is used to make high performance power cable.

The Polymers group of plastics division is now marketing products in metric measure. Polyethylene resin produced at Edmonton works is packaged in 25 kg bags and 1 000 kg boxes as well as being shipped in 80 tonne bulk rail hopper cars. The 25 kg polyethylene bags are made at Brampton works.





The Films group, while being a smaller generator of profits, also has promising prospects. Initially established as an outlet for polyethylene resin from Edmonton, Films has more recently concentrated on improving its product range to the most profitable product mix and for the most efficient operation. That mix now includes shipping sacks, co-extruded films, industrial, construction and agriculture films, and bags for supermarkets.

Shipping sacks continue to maintain for CIL a market leadership role. After earlier failures by other makers, CIL developed a single-ply polyethylene shipping sack that met market needs. More recently, a multi-ply valve bag has been developed and patented and it now represents an area of great potential. It is less expensive to manufacture than some of its competitors and has some distinct technical advantages, particularly for packaging dusty or finely ground products. A number of licenses have been granted to foreign manufacturers of multi-ply valve bags and royalties from these licenses should be a source of income for many years.

Another leadership position is held in co-extruded films. Co-extruded films are made from more than one material, extruded at the same time, and they are used to make packages for products for which less sophisticated packaging materials do not provide sufficient product protection. One example is potato chips which must be kept crisp and fresh without the cooking oil turning rancid. Our Films group is the largest Canadian co-extruder of sophisticated packaging materials.

A new production line, the twentieth at CIL's Brampton works, is now producing co-extruded films for the food packaging industry. The process combines the strength and barrier properties of the constituent materials to give maximum protection to snack foods, cereals and crackers.

Polymers and Films are both determined to maintain a solid growth and earnings pattern and to expand their business for continued increases in profits.

Through dedication by all employees to safe working practices, the division achieved a reduction of 37% in injury frequency in 1976 from 1975. 🗨️

Environmental Improvement

The subsidiary and associated companies comprising the environmental improvement business all showed an increase in sales in 1976.

The program to adapt the "ICI Deep Shaft" effluent treatment process to North American conditions has made good progress. The pilot plant using this process for sewage treatment at Paris, Ontario, has been operating well for several months and further improvements have been made. Other pilot plants to treat brewery, starch and dairy wastes have been sold and two are already in operation.

The pilot plant for solid waste separation and gasification, built at the transfer station of CIL's associated company, Tricil Limited, Kingston, Ontario, has been operating successfully for several months. Demand is growing for plants based on such technology, which is designed to reduce the volume of solid waste for eventual disposal and to recover values from it. 🗨️

Property development

Canadian Freehold Properties Ltd., an associated company in real estate development and investment, had a successful year, despite the generally slow demand for commercial and industrial properties across Canada.

In Victoria, British Columbia, an apartment condominium project was completed and a construction contract signed for a 127-room hotel to be operated by Delta Hotels Limited. A new office building in Burnaby, British Columbia, achieved a high occupancy level. The first phase of the Eastgate Business Park near Edmonton, Alberta, has been serviced, land sales have taken place and office buildings and warehouses are under construction. By the end of 1976, the CIL Square development in Toronto was fully leased, representing a successful office development in a difficult market.

Freehold Properties, Inc. was formed in the United States as a wholly owned subsidiary of Canadian Freehold Properties Ltd. and has acquired fully rented, revenue-producing commercial properties in Seattle, Los Angeles and Portland, Oregon. ☛

Freehold Properties, Inc. acquired a 50% share in this high rise office tower in the Airport Imperial Complex at the Los Angeles airport. The Hughes Aircraft Corporation is the lead tenant in the larger of the two buildings, jointly owned by Freehold's U.S. subsidiary and Kilroy Industries.

Construction of the first phase of Eastbrook Executive Park at Willingdon Ave. and 401 Freeway in Burnaby, B.C. will begin this spring with 250,000 square feet of light industrial show rooms, offices and warehouse buildings. The remaining two stages will add an additional 250,000 square feet of commercial and office space.



140

Sales by industry in million of dollars

120

100

80

60

40

20

Mining

Agriculture

Pulp and Paper

Chemicals

Construction

Retail

Other

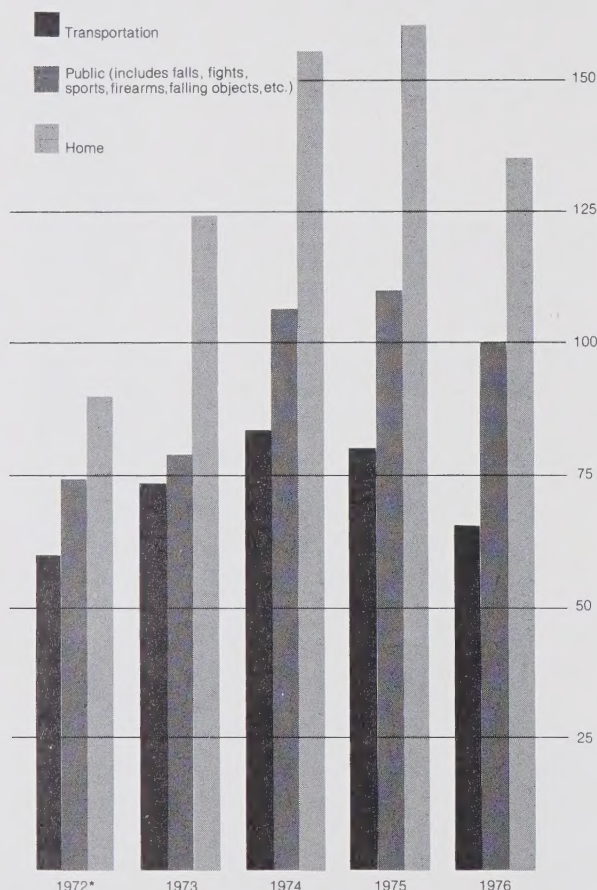
Export

HARDWARE



Off-the-job injury experience

for employees of CIL and subsidiary companies



The number of off-the-job accidents recorded by CIL employees during 1976 declined to 303 from the high of 347 in 1975. The total number of days lost because of these injuries also dropped from 6,082 in 1975 to 5,639 last year.

* Statistics for 1972 include works and laboratories only.

Safety



The very serious accidents which occurred in 1975 led to a thorough review of safety practices throughout all levels of the organization. By the use of such techniques as safety audits, hazard reviews of both existing operations and those being planned, and improved training practices, the downward trend in accident frequency rates, interrupted in 1975, was restored. The 1976 rate of 1.4 disabling injuries per million exposure hours was the third best in the company's history and well below the average for the chemical industry in North America. Safety attitudes learned at work can also strongly influence employees in their outside environment and it is gratifying to report that the frequency of "off the job" injuries fell significantly during the past year. 🧐

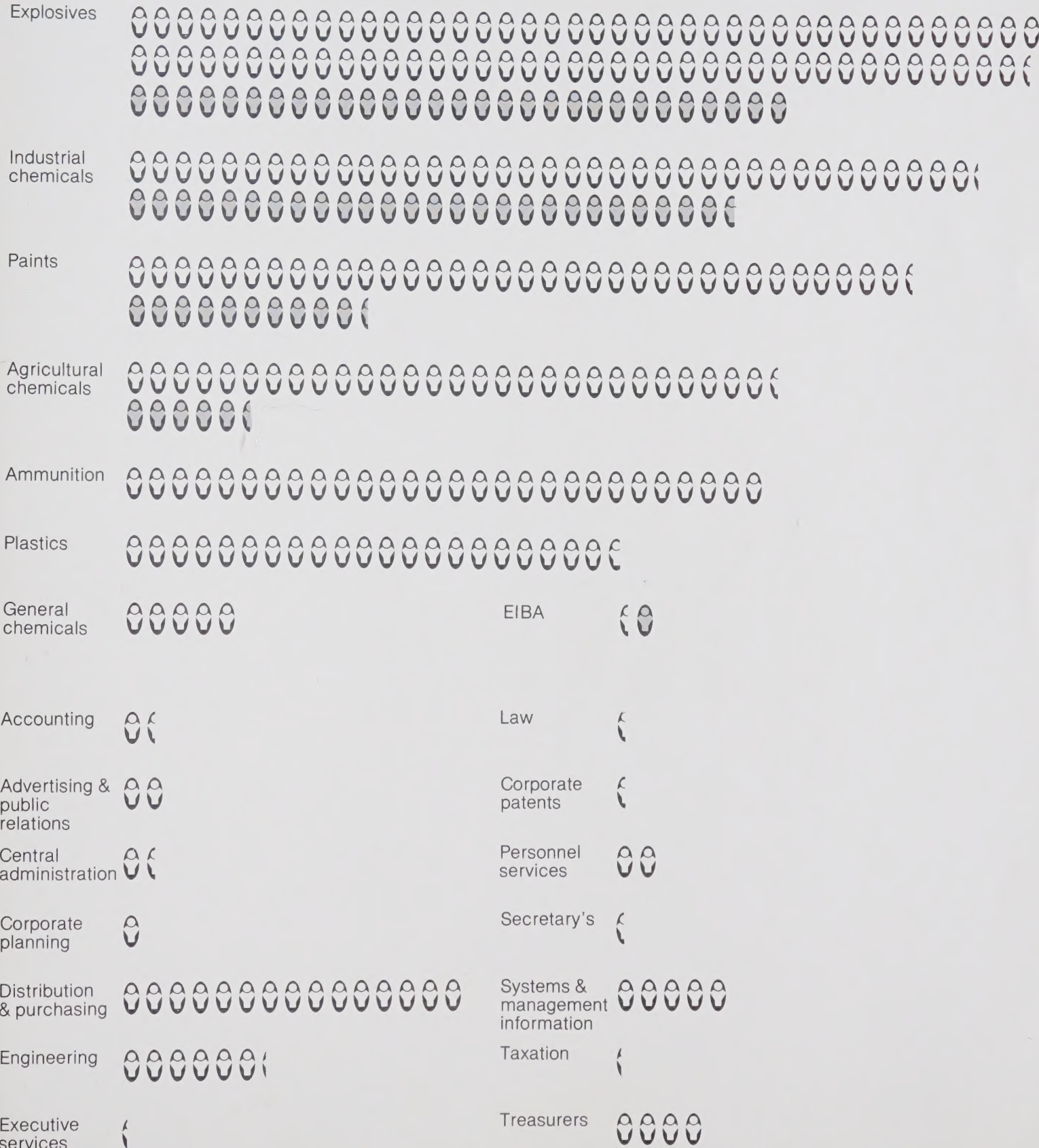
Labor negotiations

The company was in the midst of a significant amount of collective bargaining when the anti-inflation program was announced late in 1975. Substantial delays in reaching contract settlements ensued with most of these negotiations carrying over into 1976. Strikes occurred at Brownsburg, Quebec, and Nobel, Ontario, largely over issues related to the anti-inflation program, and at Valleyfield, Quebec. 🧐

Number of employees by division and department

The number of regular employees in CIL and its subsidiaries at year end was 9,034, an increase of 1% over 1975. Of this total, nearly 2,000 worked for subsidiary companies.

 represents 25 CIL employees
 represents 25 subsidiary employees





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